

## Administrators' report for the financial year ended at 31st March 2015

### Summary identification data of the company:

Headquarters: Cluj-Napoca, 124 Fabricii Street

Registration number with the Commerce Register Office: 112/2038/2004

Fiscal Code: R015357398.

The company has other places of business as the following:

- Cluj-Napoca, 10 Bd. Muncii -business office;
- Bucharest, 313 Splaiul Unirii - manufacturing site -without operating activity;
- Pata Rat WN, Cluj - landfill;
- Bucharest, 9-9A Bd. Dimitrie Pompeiu - business office;
- Other offices in: Iasi, Brasov, Timisoara, Constanta, Craiova, Galati,

The subscribed and paid share capital as of 31<sup>st</sup> of March 2015 is in amount of RON 25,021,355 divided into 250,213,547 shares of RON 0.1 face value / share. Terapia is a closed company, its shares are not listed. No changes in the reported period related to share capital.

### **The shareholder's structure as of 31.03.2015:**

<b>Crt. No.</b>	<b>Shareholder</b>	<b>% of the share capital</b>
1.	RANBAXY (NETHERLANDS) BV	96.70
2.	Other shareholders, legal and individual entities	3.30
<b>TOTAL</b>		<b>100.00</b>

Ranbaxy (Netherlands) B.V. Holland. is a limited liability company with private capital, set up on the basis of the Dutch laws, having head offices in Amsterdam, Holland and the office address 55 Roskin, 1012 KK Amsterdam, Holland, registered at the Trade Register of the Amsterdam Chamber of Commerce and Industry under no. 33254757.

The first consolidation is analysed at the level of Ranbaxy Netherlands BV Holland which owns the majority of the share capital of Terapia SA. Ranbaxy Netherlands BV Holland.

The next level of consolidation is at Sun Pharmaceutical Industries Limited (Parent Company) Mumbai which merged with Ranbaxy Laboratories Limited India on 25th March 2015.

**Main activity:** Manufacturing of pharmaceutical products, CAEN code 2120.

The Company's products are sold both on the domestic and on the external markets

## **I. PRESENTATION OF THE ACTIVITY AND THE RESULTS OF THE YEAR ENDED at 31st March 2015**

The pharmaceutical market in Romania was marked mainly by the following factors:

The prices for prescription drugs have been established at the exchange rate of 4.2600 RON/EUR as compared with actual average exchange rate of 4,4446 RON/EUR established by the National Bank of Romania for 2014. In 2014, prices of drugs were frozen at the level established in April 2012, the annual adjustment provided by the regulations not being applied.

Lack of cash in the system generated by the chronic underfinancing of the free of charge and compensated drugs consumption;

Extended settlement period of drugs in the social health insurance system. Although the government has implemented EU Directive on non-delaying payments in 2013, a high level of effective repayment of drug compensation to pharmacies is maintained approximately at 120 -150 days.

Legal obligation of payment of the claw back tax for marketing authorization holders for RX products. Related to company sales, the percentage of tax increased from 10.2 % in 2013 to 15.6% in 2014.

According to the market research report of the company CEGEDIM for the year 2014, Sales of medicines in Romania rose 6.8% last year, to RON 12.3 billion (EUR 2.76 billion), higher than expected. Expressed in euros, drug sales increased 6.2% in 2014.

Sales of prescription drugs rose 5.2%, while over the counter (OTC) medicines rose 13.7%.

Net sales during 2014 in amount of RON 530,636,629 is over the net sales of the same period of 2013 with 7.5%.

Terapia SA is the largest producer of medicines (OTC and generics) in Romania. The Company is on 6th place in the top 10 players in the Romania total pharma market and on the first place in the generics and OTC Romania market (according to the CEGEDIM report).

The export sales are in amount of RON 122.349.231 representing 23.05% from the total turnover, based on which the Company is in the top level of Romanian medicines producers.

The company has followed the permanent strategy of market launching of new products and consolidating its position on the local and European markets, with sales on 34 external markets.

Terapia launched 20 new products on the market and obtained 26 new market authorizations during 2014 which will assure the development of the business during 2015.

The number of employees at 31.03.2015 is the same as the end of previous year: 865 persons.

#### 1. Main events

##### *Capital expenditure*

Company bought Ketanov IP with the right to produce and sell the product "Ketanov" in all territories.

In 2014 the main project was the RD sustained 50% from non-reimbursable European funds. The new investment aims to setting up of a unit for the research – development of new products to increase the innovation capacity and competitiveness of Terapia S.A. The construction of this unit was finalized in December 2014 and the project is expected to be finalized in July 2015.

In 2014, major investments were also made in technological equipment for the capacity extension and production modernisation.

##### *New products introduction*

In the current production were introduced new products: Ketanov tablets (for Russia, Ukraine), Faringosept with flavors (mint, rum, cinnamon), Silimarina.

##### *Commercial activity*

During 2014 the company embarked upon several innovative marketing and selling activities together with new products launching. Terapia operates in the market through the most important medicine distributors.

20 new products were launched on the market: Artroflex compus PWDR, Cilopen INJ, Serodeps, Telmisartan+HCTZ TP, Artroflex Topcream, Pantoprazol, Talosan, Cotrezen, Mamantina, Velyn, Sevikar HCT, Fosypril, Faringosept (mint, rum, cinnamon) Cartiflex, Ramiran, Silimarina, Olmetec, Celecoxib.

##### *Authorizations*

Terapia holds running authorizations and GMP certificates for all manufacturing flows.

Furthermore, the company holds GLP a certificate for good laboratory practice for the Bioanalytic Laboratory (Bioequivalence department).

The Clinical Unit from the same department is authorized by the Health Ministry to develop studies of phase I.

Terapia holds environment certificates for all its facilities, according to the applicable regulations. Moreover, the Company holds all needed authorizations provided by the law.

In February 2015 Company received the Certification Audit of Integrated Management System Environmental Health and Safety according to ISO 14001:2004 and OHSAS 18001/2008 and the right to use the trademark registration TUV Rheinland, Koln.

## 2. Main achievements

### *Net turnover*

The net turnover was RON 530,636,629 over with 7.5% previous year.

The sales structure in the reported period is:

domestic sales: RON 378,509,215;

export sales of goods and services: RON 152,127,414 representing 28.66% of the net turnover.

The sales on the external markets are as follows:

Country	RON	%
Russia	57,817,818	38.01%
India	26,103,037	17.16%
Republic of Ireland	14,910,336	9.80%
Ukraine	14,207,805	9.34%
United Kingdom	11,594,569	7.62%
Other countries	27,493,849	18.07%
Total export	152,127,414	100.00%

*The gross profit* is in amount of RON 95,402,992 under previous figures year with 22.40%.

## II. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Accounting Law no. 8211991 republished, and Ministry of Finance Order no. 3055/2009 for approving the accounts regulations according with European directives and with Ministry of Finance Order no. 1878/2010 regarding to preparation of Annual Financial Statements by entities which have financial period different from calendaristic year.

Company changed its financial period from calendaristic year to the period April – March. As statutory requirements, for the first year of application of the new reporting period, balance sheet has to contain the figures for 1st of January 2014 along with the figures for the period March 2014 – April 2015.

### BALANCE SHEET as of 31st of March 2015

-RON-

Element description	Balance at			Fluctuation March 2015/March 2014 %
	01.01.2014	31.03.2014	31.03.2015	
<b>A. NON-CURRENT ASSETS</b>				
I. Intangible assets	2,106,564	237,094,543	212,971,032	-10.17
I. Tangible assets	176,798,372	175,994,807	190,798,365	8.41
III. Financial assets	200,717	244,038	66,607	-72.71
<b>NON-CURRENT ASSETS TOTAL</b>	<b>179,105,653</b>	<b>413,333,388</b>	<b>403,836,004</b>	<b>-2.30</b>
<b>B. CURRENT ASSETS</b>				
I. Inventories	47,852,899	57,468,929	65,755,600	14.42
I. Receivables	326,667,252	317,317,230	244,484,448	-22.90
III. Cash and bank accounts	127,606,727	75,188,412	84,828,438	12.82
<b>CURRENT ASSETS TOTAL</b>	<b>502,126,878</b>	<b>449,974,571</b>	<b>395,068,486</b>	<b>-12.20</b>
<b>C. DEFERRED EXPENSES</b>	<b>889,620</b>	<b>1,448,867</b>	<b>734,709</b>	<b>-49.29</b>
<b>D. CURRENT LIABILITIES</b>	<b>86,247,378</b>	<b>448,592,334</b>	<b>276,418,445</b>	<b>-38.30</b>
<b>E. NET CURRENT ASSETS/ NET CURRENT LIABILITIES</b>	<b>416,769,120</b>	<b>2,831,104</b>	<b>119,384,750</b>	<b>4216.90</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>595,874,773</b>	<b>416,164,493</b>	<b>523,220,754</b>	<b>25.80</b>
<b>G. NON-CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>H. PROVISIONS</b>	<b>29,319,238</b>	<b>28,864,021</b>	<b>42,317,390</b>	<b>46.61</b>
<b>I. DEFERRED INCOME</b>	<b>566,746</b>	<b>551,378</b>	<b>8,595,232</b>	<b>1458.86</b>
<b>J. CAPITAL AND RESERVES</b>				
I. Subscribed and paid capital	25,021,355	25,021,355	25,021,355	0.00
II. Share premiums	372,838	372,838	372,838	0.00
III. Revaluation reserves	95,879,829	95,740,862	100,271,452	4.73
V. General reserves	59,179,570	59,318,537	60,064,387	1.30
V. Retained earnings	276,475,644	98,325,007	206,295,500	109.81
VI. Profit of the financial period	109,059,553	107,970,494	80,395,362	-25.50
Profit appropriation	0	0	112,762	100
<b>TOTAL EQUITY</b>	<b>565,988,789</b>	<b>386,749,093</b>	<b>427,308,132</b>	<b>22.20</b>

### Non-current assets

In the reported period, the non-current assets have decreased by 2.30%.

The non-current assets variation was mainly determined by:

- Reduction of assets value with an amount of RON 36,214,400, reduction resulted from the normal process of amortization and depreciation.
- Increase of the value of non-current assets with the amount of RON 5,175,793 following the revaluation of fixed assets and land, and with the amount of RON 21,730,770 following the corporate investment during 2014, mainly in technological equipment and buildings for the new research facility.

### Current assets

*The inventories* have increased by 14.42% as compared to the beginning of the year. This increase is due to the increase of:

- Raw materials with RON 2,702,427;
- Finished goods with RON 4,056,859;
- Merchandise with RON 1,363,487.

The inventories level at 31.03.2015 was correlated with the requirements of the production activity and of the sales activity which will take place during April- May 2015.

*The receivables* decreased by 22.90 % as compared to the beginning of the year vs. sales increase of 7.50% on account of improved collections.

*Cash and cash equivalents* increased by 12.82% as compared to the beginning of the year.

This evolution is due to the good cash collection of current receivables and also to an efficient management of cash and cash equivalents.

At 31.03.2015, cash and cash equivalents have the following structure:

	-RON-		
	Balance at 01 January 2014	Balance at 31 March 2014	Balance at 31 March 2015
Cash in hand	4,396	3,548	1,229
Cash at bank	25,049,716	49,058,088	61,078,117
Bank deposits and public securities	-	-	-
Guarantees received from warehouses administrators	125,830	126,766	142,778
Short term financial investments	102,426,784	26,000,000	23,606,314
Total cash and cash equivalents	127,606,727	75,188,412	84,828,438

**Current liabilities (up to one year)** are current liabilities related to company activities in amount of RON 276,418,445.

**Non-current liabilities**

The company has no liabilities with maturity greater than one year.

**Provisions**

The level of provisions at 31.03.2015 increased by 46.61% as compared to the beginning of the year. The increase in amount of RON 13,453,369 is due to the review of Claw back provision which increased during 2014 with the amount of RON 12,451,809.

**Shareholders' equity**

*Share capital*- amounts to RON 25,021,355 and has not been modified during the reported period.

*Other shareholders' equity*

The shareholders equity at the end of the year amounts to RON 472,308,132 registering an increase of 22.20%.

The shareholders equity evolution is due to:

- net profit for the current period in amount of RON 80,395,362;
- increase of revaluation reserve due to the land and fixed assets revaluation in amount of RON 5,163,676 as of 31.03.2015.

INCOME STATEMENT FOR THE PERIOD ENDED at 31st of March 2015

-RON-

PARTICULARS	Achieved 01.04.2013- 31.03.2014	Achieved 01.04.2014- 31.03.2015	Growth March 2015/March 2014 %o
1.NET TURNOVER	493,613,926	530,636,629	7.50
2. OPERATING INCOME	497,248,127	537,065,675	8.01
3. OPERATING EXPENSES	377,816,902	428,870,816	13.60
4. OPERATING PROFIT OR LOSS: Profit	119,431,225	108,194,859	-9.40
5. OPERATING PROFIT MARGIN %	24.19	20.40	-15.60
6. FINANCIAL INCOME	12,732,070	24,138,916	89.59
7. FINANCIAL EXPENSES	9,135,019	36,930,783	304.28
8. FINANCIAL PROFIT OR LOSS: Profit/ (Loss)	3,597,051	-12,791,867	-455.62
9. CURRENT PROFIT OR LOSS: Profit	123,028,276	95,402,992	-22.40
10.TOTAL INCOME	509,980,197	561,204,591	10.04
11.TOTAL EXPENSES	386,951,921	465,801,599	20.40
12. GROSS PROFIT OR LOSS: Profit	123,028,276	95,402,992	-22.40
13. GROSS PROFIT MARGIN%	24.92	18.00	-27.70
14. PROFIT TAX	15,057,782	15, 007,630	0.30
15. NET PROFIT OR LOSS OF THE FINANCIAL PERIOD: Profit	107,970,494	80,395,362	-25.50
16. NET PROFIT MARGIN%	21.87	15.20	-30.50



## OPERATIONAL ACTIVITY

### Operating income

*Net turnover*- represents the sales less the discounts granted to the clients.

The net turnover was RON 530,636,629. As compared to the previous year, the net turnover has registered a growth of 7.50% in the context of the difficult macroeconomic framework presented in this report.

### Operating expenses

The operating expenses increased in 2014 as compared to 2013, with 13.60%. This increase is due to depreciation expenses of Ketanov licences.

Operating profit has decreased in 2014 as compared to the previous year by 9.40%. The decrease is due to operating expenses increase, over the turnover increase.

Following this, operating profit margin has decreased in 2014 compared to 2013 by 15.60%.

## FINANCIAL ACTIVITY

The financial activity generated a loss of RON 12,791,867.

The interest income is in amount of RON 632,122, recording a significant reduction compared to the same period of 2013. The interest level earned was influenced by the interest rates on deposits, and especially by the cash equivalents in deposits that was more reduced than previous year, due to payment of dividends.

The Company had borrowings and consequently has registered bank interest expenses in 2014 in amount of RON 1,338,759.

Loss related to the exchange rate evolution is in amount of RON 12,085,230.

The gross profit of the reported period amounts to RON 95,402,992 and it results from the operating and financial activity. It registered a decrease of 22.40% as compared to the same period last year, especially due to losses from exchange rate differences.

The income tax of the reported period amounts to RON 15,007,630. The average tax rate is 16.00%, equal to the standard rate, due to a balance between non-deductible expenses non-taxable.

In computing the income tax the Company applied fiscal facilities according to the Fiscal Code such as:

- )- accelerated depreciation for technological equipment;
- )- supplementary deductibility for research expenses;

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. J ):- income tax exemption on reinvested earnings.

**Net profit, profit distribution**

The net profit for the period is RON 80,395,362.

The net profit obtained during 2014 amounting to RON 80,395,362 will be distributed according to the decision of the General Shareholders' Meeting.

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## CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2015

Compared to the beginning of the year the cash and cash equivalents increased by 12.82% mainly due to the good cash collection of current receivables and also to a correct and good management.

The cash flow synthesis is presented as follow:

	-RON-	
	31.03.2014	31.03.2015
<b>OPERATING ACTIVITY</b>		
Cash from operating activities before changes in working capita	126,541,906	141,046,454
Increase)/decrease in trade receivables and other current assets	7,947,754	75,792,560
(Increase)/decrease in inventories	(11,865,575)	(9,103,035)
ncrease)/(decrease) in trade payables and other payables	4,675,353	(25,728,858)
nterest paid	-	(1,497,931)
Income tax paid	(15,339,540)	(18,453,136)
Cash from merger process with Terapia Distributie		
Cash from operating activities	111,959,898	213,513,769
<b>INVESTING ACTIVITY</b>		
Cash used in investing activities	(22,951,156)	(255,135,113)
<b>FINANCING ACTIVITY</b>		
Cash from/used in financing activities	(140,776,676)	51,261,370
Net increase)/(decrease) in cash and cash equivalents	(51,767,934)	9,640,026
Cash and cash equivalents at 1st April	126,956,346	75,188,412
Cash and cash equivalents at 31st March	75,188,412	84,828,438

### III. PERSPECTIVES ON THE GROUP'S ACTIVITY

During 2015 (April 2015 -March 2016) the Company is expecting to reach a net turnover of RON 605,913,532, over the previous year by 21%.

The main areas in which the capital expenditure will be performed are manufacturing, research and development.

ADMINISTRATOR,

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## **Independent Auditors' Report (free translation<sup>1</sup>)**

To the shareholders of  
S.C. Terapia S.A.

### **Report on the Financial Statements**

1 We have audited the accompanying financial statements of S.C. Terapia S.A. ("the Company"), which comprise the balance sheet as at 31 March 2015, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, presenting the following:

■ Net assets/Total equity and reserves:	472,308 thousands lei
■ Profit for the year:	80,395 thousands lei

#### *Management's Responsibility for the Financial Statements*

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 3055/2009 and related amendments and the Order of the Minister of Public Finance no. 1878/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

6 In our opinion, the financial statements as at and for the year ended 31 March 2015 give a true and fair view of the financial position of the Company as at 31 March 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 3055/2009 and related amendments and the Order of the Minister of Public Finance no. 1878/2010.

#### *Other Matters*

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<sup>1</sup> TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

- 7 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on financial statements and the report on conformity, or for the opinion we have formed.
- 8 The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements including the Order of the Minister of Public Finance no. 3055/2009 and related amendments and the Order of the Minister of Public Finance no. 1878/2010.

#### **Report on conformity of the Administrators' Report with the financial statements**

In accordance with the Order of the Minister of Public Finance no 3055/2009 and related amendments, article no. 318 point 2 of accounting regulations in accordance with the IV-th Directive of CEE we have read the Administrators' Report attached to the financial statements. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

**S.C. TERAPIA S.A.**

**FINANCIAL STATEMENTS**

Prepared in accordance with  
**the Order of the Ministry of Public Finance no. 3055/2009**  
**with subsequent amendments**

**31 MARCH 2015**

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**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**As at 31 March 2015**

*(all amounts are expressed in RON, unless specified otherwise)*

**Balance Sheet as at 31 March 2015**  
**(in accordance with OMF 3055/2009 and OMF 1878/2010)**

**-RON-**

Element name	Row no.	Balance as of		
		01.01.2014	The beginning of the year 01.04.2014	The end of the year 31.03.2015
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>A. NON-CURRENT ASSETS</b>				
<b>I. INTANGIBLE ASSETS</b>				
1. Set-up costs (account 201-2801)	01	-	-	-
2. Development costs (account 203-2803-2903)	02	-	-	-
3. Concessions, patents, licenses, trademarks, similar rights and assets and other intangible assets (account 205+208-2805-2808-2905-2908)	03	1,260,240	1,718,247	211,900,265
4. Goodwill (account 2071-2807-2907)	04	-	-	-
5. Advance payments and intangible assets in progress (account 233+234-2933)	05	846,324	235,376,296	1,070,767
<b>TOTAL: (row 01 to 05)</b>	<b>06</b>	<b>2,106,564</b>	<b>237,094,543</b>	<b>212,971,032</b>
<b>II. TANGIBLE ASSETS</b>				
1. Freehold land and buildings (account 211+212-2811-2812-2911-2912)	07	123,964,705	123,532,191	122,645,263
2. Plant and machinery (account 213-2813-2913)	08	34,832,885	45,412,403	46,420,509
3. Other plant, machinery and fixtures (account 214-2814-2914)	09	1,340,049	1,272,924	1,386,573
4. Advance payments and tangible fixed assets in progress (account 231+232-2931)	10	16,660,733	5,777,289	20,346,020
<b>TOTAL: (row 07 to 10)</b>	<b>11</b>	<b>176,798,372</b>	<b>175,994,807</b>	<b>190,798,365</b>
<b>III. LONG-TERM FINANCIAL INVESTMENTS</b>				
1. Investments in subsidiaries (account 261-2961)	12	-	-	-
2. Loans to subsidiaries (account 2671+2672-2964)	13	-	-	-
3. Investments in associates (account 263-2962)	14	-	-	-
4. Loans granted to entities related to the company on the grounds of investments in associates (account 2673 + 2674 - 2965)	15	-	-	-
5. Investments owned as assets (account 265-2963)	16	-	-	-
6. Other loans (account 2675+2676+2678+2679-2966-2968)	17	200,717	244,038	66,607
<b>TOTAL: (row 12 to 17)</b>	<b>18</b>	<b>200,717</b>	<b>244,038</b>	<b>66,607</b>
<b>TOTAL NON-CURRENT ASSETS ( row 06+11+18)</b>	<b>19</b>	<b>179,105,653</b>	<b>413,333,388</b>	<b>403,836,004</b>
<b>B. CURRENT ASSETS</b>				
<b>I. INVENTORIES</b>				
1. Raw materials and consumables (account 301+321+302+322+303+323+/-308+351+358+381+328+/-388-391-392-3951-3958-398)	20	14,774,807	14,155,422	17,313,258
2. Work in progress (account 331+332+341+/-348-393-3941-3952)	21	640,646	1,522,782	2,092,843
3. Finished goods and merchandise (account 345+346+/-348+354+356+357 +361+326+/-368+371+327+/-378-3945-3946-3953-3954-3956-3957-396-397-4428)	22	32,031,278	41,761,509	46,333,608



**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**As at 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

Element name	Row no.	Balance as of		
		01.01.2014	The beginning of the year 01.04.2014	The end of the year 31.03.2015
A	B	1	2	3
4. Advance payments for the acquisition of inventories (account 4091)	23	406,168	29,216	15,891
<b>TOTAL (row 20 to 23)</b>	<b>24</b>	<b>47,852,899</b>	<b>57,468,929</b>	<b>65,755,600</b>
<b>II. RECEIVABLES</b>				
1. Trade receivables (account 2675+2676+2678+2679-2966-2968+4092+411+413+418-491)	25	296,051,266	285,386,529	217,399,522
2. Receivables from non-consolidated associated companies (account 451-495)	26	26,239,808	25,401,017	22,424,562
3. Receivables from other equity investments (account 453-495)	27	-	-	-
4. Other receivables (account 425+4282+431+437+4382+441+4424+4428+444+445+446+447+4482+4582+461+473-496+5187)	28	4,376,178	6,529,684	4,660,364
5. Subscribed and not paid in share capital (account 456-495)	29	-	-	-
<b>TOTAL (row 25 to 29)</b>	<b>30</b>	<b>326,667,252</b>	<b>317,317,230</b>	<b>244,484,448</b>
<b>III. SHORT TERM INVESTMENTS</b>				
1. Investments in subsidiaries (account 501-591)	31	-	-	-
2. Other short term investments (account 505+506+508-595-596-598+5113+5114)	32	102,426,784	26,000,000	23,606,314
<b>TOTAL (row 31 to 32)</b>	<b>33</b>	<b>102,426,784</b>	<b>26,000,000</b>	<b>23,606,314</b>
<b>IV. PETTY CASH AND BANK ACCOUNT BALANCES (account 5112+512+531+532+541+542)</b>				
<b>TOTAL (row 31 to 32)</b>	<b>34</b>	<b>25,179,943</b>	<b>49,188,412</b>	<b>61,222,124</b>
<b>CURRENT ASSETS - TOTAL (row 24+30+33+34)</b>	<b>35</b>	<b>502,126,878</b>	<b>449,974,571</b>	<b>395,068,486</b>
<b>C. ACCRUED EXPENSES (account 471)</b>				
<b>TOTAL (row 31 to 32)</b>	<b>36</b>	<b>889,620</b>	<b>1,448,867</b>	<b>734,709</b>
<b>D. LIABILITIES: AMOUNTS DUE WITHIN ONE YEAR</b>				
1. Debenture loans (account 161+1681-169)	37	-	-	-
2. Amounts owed to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+5198)	38	-	124,907,572	-
3. Advance payments received for orders (account 419)	39	25,036	24,414	49,076
4. Trade debts – suppliers (account 401+404+408)	40	44,809,048	42,710,711	41,577,851
5. Bills of exchange payable (account 403+405)	41	-	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	42	10,661,382	238,696,739	197,867,736
7. Amounts due to other equity investments (account 1663+1686+2692+453)	43	-	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	44	30,751,912	42,252,898	36,923,782
<b>TOTAL: (row 37 to 44)</b>	<b>45</b>	<b>86,247,378</b>	<b>448,592,334</b>	<b>276,418,445</b>

**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**As at 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

Element name	Row no.	Balance as of		
		01.01.2014	The beginning of the year 01.04.2014	The end of the year 31.03.2015
A	B	1	2	3
<b>E. NET CURRENT ASSETS/NET CURRENT LIABILITIES</b> (row 35+36-45-63)	<b>46</b>	<b>416.769.120</b>	<b>2.831.104</b>	<b>119.384.750</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b> (row 19+46)	<b>47</b>	<b>595,874,773</b>	<b>416,164,492</b>	<b>523,220,754</b>
<b>G. LIABILITIES: AMOUNTS DUE AFTER ONE YEAR</b>				
1. Debenture loans (account 161+1681-169)	48	-	-	-
2. Amounts payable to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+5198)	49	-	-	-
3. Advance payments received for orders (account 419)	50	-	-	-
4. Trade debts – suppliers (account 401+404+408)	51	-	-	-
5. Bills of exchange payable (account 403+405)	52	-	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	53	-	-	-
7. Amounts due to other equity investments (account 1663+1686+2692+453)	54	-	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	55	-	-	-
<b>TOTAL: (row 48 to 55)</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>H. ACCRUED LIABILITIES</b>				
1. Accrued rent and similar obligations (account 1515)	57	2,023,174	1,506,050	946,994
2. Accrued taxes payable (account 1516)	58	9,273,504	8,396,140	9,970,568
3. Other accrued liabilities and provisions (account 1511+1512+1513+1514+1518)	59	19,022,560	18,961,831	31,399,828
<b>TOTAL ACCRUED LIABILITIES &amp; PROVISIONS (row 57 to 59)</b>	<b>60</b>	<b>29,319,238</b>	<b>28,864,021</b>	<b>42,317,390</b>
<b>I. DEFERRED INCOME</b>				
1. Investment subsidies (account 475)	61	566,746	551,378	8,595,232
2. Deferred income (account 472) - total (row 63+64) of which:	62	-	-	-
Amounts to be retaken in a period under a year (account 472)	63	-	-	-
Amounts to be retaken in a period over a year (account 472)	64	-	-	-
3. Deferred income related to assets received from customers transfer (ct.478)	65	-	-	-
Negative goodwill (account 2075)	66	-	-	-
<b>TOTAL (row 61+62+65+66)</b>	<b>67</b>	<b>566,746</b>	<b>551,378</b>	<b>8,595,232</b>

**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**As at 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

Element name	Row no.	Balance as of		
		01.01.2014	The beginning of the year 01.04.2014	The end of the year 31.03.2015
A	B	1	2	3
<b>J. CAPITAL AND RESERVES</b>				
<b>I. CAPITAL</b>				
1. Subscribed and paid in capital (account 1012)	68	25,021,355	25,021,355	25,021,355
2. Subscribed and not paid in capital (account 1011)	69	-	-	-
3. Patrimony (autonomous companies) (account 1015)	70	-	-	-
4. Patrimony of national research and development institutes	71	-	-	-
<b>TOTAL (row 68 to 71)</b>	<b>72</b>	<b>25,021,355</b>	<b>25,021,355</b>	<b>25,021,355</b>
<b>II. PREMIUMS RELATED TO CAPITAL (account 104)</b>	<b>73</b>	<b>372,838</b>	<b>372,838</b>	<b>372,838</b>
<b>III. REVALUATION RESERVE (account 105)</b>	<b>74</b>	<b>95,879,829</b>	<b>95,740,862</b>	<b>100,271,452</b>
<b>IV. OTHER RESERVES</b>				
1. Legal reserve (account 1061)	75	8,617,940	8,617,940	8,617,940
2. Statutory or contractual capital reserve (account 1063)	76	-	-	-
3. Revaluation reserve (account 1065)	77	42,272,277	42,411,244	43,044,332
4. Other reserves (account 1068)	78	8,289,353	8,289,353	8,402,115
<b>TOTAL (row 75 to 78)</b>	<b>79</b>	<b>59,179,570</b>	<b>59,318,537</b>	<b>60,064,387</b>
Own shares (account 109)	80	-	-	-
Gains on own equity instruments (account 141)	81	-	-	-
Losses on own equity instruments (account 149)	82	-	-	-
<b>V. PROFIT / (LOSS) BROUGHT FORWARD (account 117)</b>	<b>83</b>	<b>276,475,644</b>	<b>98,328,007</b>	<b>206,295,500</b>
<b>Balance C</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance D</b>	<b>85</b>	<b>109,059,553</b>	<b>107,970,494</b>	<b>80,395,362</b>
<b>VI. PROFIT / (LOSS) FOR THE YEAR (account 121)</b>	<b>86</b>			
<b>Balance C</b>	<b>87</b>			
<b>Balance D</b>	<b>88</b>			
Profit appropriation (account 129)	87	-	-	112,762
<b>TOTAL EQUITY (row 72+73+74+79-80+81-82+83-84+85-86-87)</b>	<b>88</b>	<b>565,988,789</b>	<b>386,749,093</b>	<b>472,308,132</b>
Public patrimony (account 1016)	89	-	-	-
<b>TOTAL CAPITAL (row 88+89)</b>	<b>90</b>	<b>565,988,789</b>	<b>386,749,093</b>	<b>472,308,132</b>

**ADMINISTRATOR,**  
Dragoş Eugen Damian

**ECONOMIC MANAGER,**  
Sanda Codreanu

**Profit and loss account for the year ended 31 March 2015**  
(in accordance to OMF 3055/2009 and OMF 1878/2010)

	INDICES	Row no.	Financial year	
			Previous	Current
	A	B	1	2
<b>1. Net turnover (row 02 +03-04+ 05+06)</b>		<b>01</b>	<b>493,613,926</b>	<b>530,636,629</b>
Sales of produced goods (account 701+702+703+704+705+706+708)		02	418,228,782	470,185,767
Sales of goods purchased for resale (account 707)		03	171,496,287	195,071,088
Trade discounts granted (account 709)		04	96,111,143	134,620,226
Interest income of entities cancelled from the General Register and which have leasing contracts in progress (account 766)		05	-	-
Subsidies related to the net turnover (account 7411))		06	-	-
<b>2. Inventories variation (account 711)</b>	Balance C	07	3,280,860	2,978,122
	Balance D	08	-	-
<b>3. Own production capitalized (account 721+722)</b>		09	-	-
<b>4. Other operating income (account 758+7417+7815)</b>		10	353,341	3,450,924
- out of which income from negative goodwill		11	-	-
<b>TOTAL OPERATING REVENUES (row 01+07-08+09+10)</b>		12	<b>497,248,127</b>	<b>537,065,675</b>
<b>5. a) Expenses related to raw materials and consumables (account 601+602-7412)</b>		13	77,209,919	78,448,287
Other material expenses (account 603+604+606+608)		14	5,560,412	6,125,662
<b>b) Other utilities expenses (electricity, heating and water) (account 605-7413)</b>		15	3,695,656	3,585,479
Expenses regarding goods for resale (account 607)		16	87,576,695	91,689,343
Trade discounts received (account 609)		17	4,700,732	6,033,249
<b>6. Personnel expenses (row 19+20)</b>		18	71,754,091	80,469,371
<b>a) Salaries (account 641+642+643+644-7414)</b>		19	56,584,997	65,025,135
<b>b) Expenses related to social security contributions (account 645-7415)</b>		20	15,169,093	15,444,236
<b>7. a) Value adjustment related to tangible and intangible assets (rd.22-23)</b>		21	10,381,648	36,179,862
<b>a.1) Expenses (account 6811+6813)</b>		22	10,983,854	36,393,535
<b>a.2) Revenues (account 7813)</b>		23	602,206	213,673
<b>b) Value adjustment for current assets (row 25-26)</b>		24	(2,524,892)	226,984
<b>b.1) Expenses (account 654+6814)</b>		25	7,272,940	12,965,624
<b>b.2) Revenues (account 754+7814)</b>		26	9,797,832	12,738,640
<b>8. Other operating expenses (row 28 la 31)</b>		27	129,558,343	124,725,708
<b>8.1. Third party services expenses (account 611+612+613+614+621+623+624+625+627+628-7416)</b>		28	89,462,611	78,619,675
<b>8.2 Other taxes, duties and similar expenses (account 635)</b>		29	32,707,247	39,903,857
<b>8.3 Compensations, gifts and assets disposed (account 652+658)</b>		30	7,388,485	6,202,176
Expenses related to refinancing interests of entities cancelled from the General Register and which still have leasing contracts in progress (account 666)		31	-	-
Adjustments related to provisions (rd.33-34)		32	(694,238)	13,453,369
Expenses (account 6812)		33	315,953	14,266,032
Revenues (account 7812)		34	1,010,191	812,663
<b>TOTAL OPERATING EXPENSES (row 13 to 116-17+18+21+24+27+32)</b>		<b>35</b>	<b>377,816,902</b>	<b>428,870,816</b>
<b>OPERATING PROFIT OR LOSS:</b>				
<b>Profit(row 12-35)</b>		<b>36</b>	<b>119,431,225</b>	<b>108,194,859</b>
<b>Loss(row 35-12)</b>		<b>37</b>	-	-
<b>9. Revenues from investments (account 7611+7613)</b>		38	-	-
- from which, income from associated companies		39	-	-

**S.C. TERAPIA S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

	INDICES	Row no.	Financial year	
			Previous	Current
	A	B	1	2
10.	Revenues from noncurrent investments and loans (account 763)	40	-	-
	- from which. income from associates	41	-	-
11.	Interest income (account 766)	42	2,548,615	632,122
	- from which. income from associates	43	-	-
	Other financial income (account 762+764+765+767+768)	44	10,183,455	23,506,794
	<b>TOTAL FINANCIAL REVENUES (ROW 38+40+42+44)</b>	<b>45</b>	<b>12,732,070</b>	<b>24,138,916</b>
12.	Value adjustments regarding financial assets and current asset investments (row 47-48)	46	-	-
	- expenses (account 686)	47	-	-
	- income (account 786)	48	-	-
13.	Interest expense (account 666-7418)	49	159,172	1,338,759
	- of which. expenses related to associated companies	50	-	-
	Other financial expenses (account 663+664+665+667+668)	51	8,975,847	35,592,024
	<b>TOTAL FINANCIAL EXPENSES (row 46+49+51)</b>	<b>52</b>	<b>9,135,019</b>	<b>36,930,783</b>
	<b>FINANCIAL PROFIT OR LOSS</b>			
	<b>Profit (row 45-52)</b>	<b>53</b>	<b>3,597,051</b>	<b>-</b>
	<b>Loss (row 52-45)</b>	<b>54</b>	<b>-</b>	<b>12,791,867</b>
14.	<b>CURRENT ACTIVITY PROFIT OR LOSS</b>			
	<b>Profit (row 12+45-35-52)</b>	<b>55</b>	<b>123,028,276</b>	<b>95,402,992</b>
	<b>Loss (row 35+52-12-45)</b>	<b>56</b>	<b>-</b>	<b>-</b>
15.	Extraordinary income (account 771)	57	-	-
16.	Extraordinary expenses (account 671)	58	-	-
	<b>PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES</b>			
17.	<b>Profit (row 57-58)</b>	<b>59</b>	<b>-</b>	<b>-</b>
	<b>Loss (row 58-57)</b>	<b>60</b>	<b>-</b>	<b>-</b>
	<b>TOTAL REVENUES (row 12+45+57)</b>	<b>61</b>	<b>509,980,197</b>	<b>561,204,591</b>
	<b>TOTAL EXPENSES (row 35+52+58)</b>	<b>62</b>	<b>386,951,921</b>	<b>465,801,599</b>
	<b>PROFIT OR LOSS BEFORE TAX</b>			
	<b>Profit (row 61-62)</b>	<b>63</b>	<b>123,028,276</b>	<b>95,402,992</b>
	<b>Loss (row 62-61)</b>	<b>64</b>		
18.	<b>INCOME TAX (account 691)</b>	<b>65</b>	<b>15,057,782</b>	<b>15,007,630</b>
19.	Other tax expenses not included above (account 698)	66	-	-
20.	<b>NET PROFIT OR LOSS FOR THE YEAR</b>			
	<b>Profit (row 63-65-66)</b>	<b>67</b>	<b>107,970,494</b>	<b>80,395,362</b>
	<b>Loss (row 64+65+66 or 65+66-63)</b>	<b>68</b>	<b>-</b>	<b>-</b>

**ADMINISTRATOR,**  
Dragoş Eugen Damian

**ECONOMIC MANAGER,**  
Sanda Codreanu

S.C. TERAPIA S.A.

**CASHFLOW STATEMENT**

for the year ended 31 March 2015

(all amounts are expressed in RON, unless specified otherwise)

**Cash flow Statement  
for the year ended 31 March 2015**

	<b>12 month period ended at 31.03.2014</b>	<b>12 month period ended at 31.03.2015</b>
<b>OPERATING ACTIVITIES</b>		
Net profit before taxation and extraordinary items	<b>123,028,276</b>	<b>95,402,992</b>
Adjustments for:		
Loss / profit on disposal of fixed assets	537,947	7,382
Impairment, depreciation and amortization	10,620,657	36,378,079
Movement in provisions for fixed assets	(239,006)	(198,217)
Movements in provisions	(694,238)	13,453,369
Net loss/profit from interest	(2,389,443)	706,637
Movements in provision for current assets	(2,524,893)	(2,696,155)
Income from subsidies	(61,471)	(61,471)
The effect of foreign exchange rate changes on assets and liabilities	(1,735,923)	(1,946,162)
<b>Operating profit before changes in working capital</b>	<b>126,541,906</b>	<b>141,046,454</b>
Decrease/(Increase) in trade and other receivables	7,947,754	75,792,560
Decrease/(Increase) in inventories	(11,865,575)	(9,103,035)
(Decrease) / Increase in trade and other liabilities	4,675,353	25,728,858
Interest paid	-	(1,497,931)
Corporate income tax paid	(15,339,540)	(18,453,136)
<b>Cash generated from operating activities</b>	<b>111,959,898</b>	<b>213,513,769</b>
<b>INVESTMENT ACTIVITIES</b>		
Payments for the acquisition of tangible and intangibles assets	(25,874,318)	(255,881,959)
Proceeds from the disposal of fixed assets	95,072	27,157
Interest received	2,828,090	719,689
<b>Cash generated from investing activities</b>	<b>(22,951,156)</b>	<b>(255,135,113)</b>
<b>FINANCING ACTIVITIES</b>		
Loan repayment	126,484,323	(123,821,600)
Grants received		8,105,325
Dividends paid	(267,260,999)	(2,697,955)
Loans received		169,675,600
<b>Cash generated from financing activities</b>	<b>(140,776,676)</b>	<b>51,261,370</b>
Increase / (decrease) in cash and cash equivalent	(51,767,934)	9,640,026
<b>Cash and cash equivalent at 1 April 2014</b>	<b>126,956,346</b>	<b>75,188,412</b>
<b>Cash and cash equivalents at 31 March 2015</b>	<b>75,188,412</b>	<b>84,828,438</b>

**ADMINISTRATOR,**  
Dragoş Eugen Damian

**DIRECTOR ECONOMIC,**  
Sanda Codreanu

**S.C. TERAPIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2015  
*(all amounts are expressed in RON, unless specified otherwise)*

**Statement of Changes in Equity**  
for the year ended 31 March 2015

Elements of shareholders' equity	Balance as at 01.04.2014	Increase		Decrease		Balance as at 31.03.2015
		TOTAL, out of which	From transfer	TOTAL, out of which	From transfer	
0	1	2	3	4	5	6
Share capital	25,021,355	0		0	0	25,021,355
Share premium	372,838	0		0	0	372,838
Revaluation reserve	95,740,862	5,338,238		807,650	633,088	100,271,452
Legal reserve	8,617,940	0		0	0	8,617,940
Statutory or contractual reserves						
Realized revaluation reserve	42,411,244	633,088	633,088	0	0	43,044,332
Other reserves	8,289,353	112,762	112,762	0	0	8,402,115
Own shares						
Earnings related to shareholders equity instruments						
Losses related to shareholders equity instruments						
Retained earnings representing undistributed accumulated profit or accumulated losses	Cr Balance 96,506,475	107,970,494	107,970,494			204,476,969
	Dr Balance					
Loss from merger	Cr Balance					
	Dr Balance					
Effect of first time adoption of IFRS, except for IAS 29	Cr Balance 5,935,237	0	0	0	0	5,935,237
	Dr Balance					
Retained result from correction of accounting errors	Cr Balance 664,608	0	0	0	0	664,608
	Dr Balance					
Retained result from the application of accounting regulations according to the forth Directive of the European Commission	Cr Balance					
	Dr Balance 4,781,313	0	0	0	0	4,781,313
Profit or loss for the year	Cr Balance 107,970,494	80,395,362		107,970,494	107,970,494	80,395,362
	Dr Balance					
Profit distribution		112,762	112,762			112,762
<b>TOTAL</b>	<b>386,749,093</b>	<b>194,337,183</b>	<b>108,603,582</b>	<b>108,778,144</b>	<b>108,603,582</b>	<b>472,308,132</b>

**S.C. TERAPIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

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Equity amounting to RON 472,308,132 has increased during the year 2014 with the amount of RON 85,559,039. This evolution is due to the net profit of the year amounting to RON 80,395,362, net increase of revaluation reserve due to the land and fixed assets revaluation in amount of RON 5,163,676 as of 31.03.2015.

For conformity, the references to the Order 3055/2009 have to be understood as comprising its subsequent amendments introduced by normative regulations of the Ministry of Public Finance.

**ADMINISTRATOR,**  
Dragoş Eugen Damian

**ECONOMIC MANAGER,**  
Sanda Codreanu



**Notes to the financial statements as of 31.03.2015**

These financial statements were prepared by SC Terapia SA (the “Company”) for the year ended the 31 March 2015. These financial statements were prepared in accordance with the Law on Accounting no. 82/1991 republished, the Order of the Ministry of Public Finance no. 3055/2009 modified for the approval of the accounting regulations complying with the European Directives, with subsequent amendments („OMFP 3055/2009”) and the Order of the Ministry of Public Finance no.1878/2010 regarding the preparation of annual financial statements by entities that have decided for a financial year different than the calendar year.

SC Terapia SA opted for a financial year different than the calendar year, the financial year starts on 1 April and ends on 31 March.

These financial statements of SC Terapia SA are the first prepared for a financial year different than the calendar year and refer to the period 01.04.2014-31.03.2015.

Comparative amounts are presented as follows:

- Balance sheet as at 1<sup>st</sup> of January 2014 and Balance sheet as at 1<sup>st</sup> of April 2014
- Profit and loss account for 12 months ended as at 31<sup>st</sup> of March 2014
- Cash flow statement for 12 months ended as at 31<sup>st</sup> of March 2014

The comparative amounts presented in the notes to the financial statements are presented as at 1<sup>st</sup> of January 2014 and for 12 months ended as at 31<sup>st</sup> of March 2014.

S.C. TERAPIA S.A.  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2015  
 (all amounts are expressed in RON, unless specified otherwise)

**NOTE 1: Non-current assets**

Assets elements	Gross book value			
	Balance at 01.04.2014	Increases, including the increases due to revaluation	Disposals, transfers and other discounts	Balance of 31.03.2015
0	1	2	3	4
<b>I. Intangible assets</b>				
Licenses, trademarks and other intangibles	11,632,265	234,675,502	-	246,307,767
Other intangible assets	2,896,078	278,308	-	3,174,386
Advances for the acquisition of intangible assets and intangible assets in progress	235,376,296	648,281	234,953,810	1,070,767
<b>Total intangible assets</b>	<b>249,904,639</b>	<b>235,602,091</b>	<b>234,953,810</b>	<b>250,552,920</b>
<b>II. Tangible fixed assets</b>				
Land and land improvements	94,592,755	-	163,000	94,429,755
Buildings	32,444,599	967,808	5,084,226	28,328,181
Machinery and equipment	69,080,247	10,452,566	31,528,558	48,004,255
Other tangible fixed assets	1,954,479	420,271	968,404	1,406,346
Tangible fixed assets in progress	5,777,289	21,082,489	6,513,758	20,346,020
<b>Total fixed tangible fixed assets</b>	<b>203,849,369</b>	<b>32,923,134</b>	<b>44,257,946</b>	<b>192,514,557</b>
<b>III. Financial non-current assets</b>	<b>244,038</b>	<b>(44,683)</b>	<b>132,748</b>	<b>66,607</b>
<b>TOTAL – Non-current assets</b>	<b>453,998,046</b>	<b>268,480,542</b>	<b>279,344,504</b>	<b>443,134,084</b>

**NOTE 1: Non-current assets (continued)**

Classification of non-current assets		Value adjustments (depreciation and adjustments for depreciation or loss of value)			
		Balance at 01.04.2014	Adjustments during the year	Decreases or disposals	Balance at 31.03.2015
0		1	2	3	4
<b>I. Intangible assets</b>					
	Licenses, trademarks and other intangibles	10,665,167	24,407,683	-	35,072,850
	Other intangible assets	2,144,929	364,109	-	2,509,038
	Advance payments for intangible non-current assets	-	-	-	-
<b>Total intangible assets</b>		<b>12,810,096</b>	<b>24,771,792</b>	<b>-</b>	<b>37,581,888</b>
<b>II. Tangible fixed assets</b>					
	Land and improvements on land	52,137	10,787	-	62,924
	Buildings	3,453,026	1,694,916	5,098,193	49,749
	Machinery and equipment	23,667,843	9,606,570	31,690,667	1,583,746
	Other tangible fixed assets	681,555	309,472	971,254	19,773
	Tangible fixed assets in progress	-	-	-	-
<b>Total Tangible fixed assets</b>		<b>27,854,561</b>	<b>11,621,745</b>	<b>37,760,114</b>	<b>1,716,192</b>
<b>III. Financial non-current assets</b>					
		-	-	-	-
<b>TOTAL – Non-current assets</b>		<b>40,664,657</b>	<b>36,393,537</b>	<b>37,760,114</b>	<b>39,298,080</b>

In March 2014, a contract was signed for the acquisition of intangible asset in amount of RON 234,261,015 which started to be amortized in April 2014.

The net book value of the non-current assets as of 31 March 2015 represents the fair value, in accordance with the provisions of the Order of the Minister of Public Finance no. 3055/2009, for the approval of the accounting regulations complying with the European Directives, and the Order of the Minister of Public Finance 2861/2004 for the approval of the Regulations regarding the organization and performance of the inventory of assets, liabilities and equity.

Tangible fixed assets, except tangible fixed assets in progress, have been revalued as at 31 March 2015 by a certified independent valuer, namely S.C. "EUROEVAL" S.R.L. The independent valuer has established that the book value of lands should be decreased with the amount of RON 163,000, and for other tangible fixed assets, the value as at 31 March 2015 should be increased with the amount of RON 5,338,238, as reflected in revaluation report.

The revaluation was made in accordance with OMFP 3055/2009 with subsequent modifications and national evaluation standards issued by ANEVAR.

The tangible assets category comprises land in surface of 177,147 sqm with a net book value as at 31 March 2015 of RON 94,321,885. Out of this, 90,000 sqm worth RON 59,354,000 are held for sale. The land held for sale is located in Cluj – Napoca, 124 Fabricii Street.

**NOTE 1: Non-current assets (continued)**

Furthermore, the assets owned by the company as at 31 March 2015 comprise assets which are not currently used due to the ceasing of production activity at Bucharest site. These assets have been valued at 31 March 2015 at a net book value of RON 3,376,633. Bucharest site is held for sale either on components or as a whole.

Financial assets, amounting to RON 66,607, comprise mainly guarantees granted to suppliers, according to the terms of agreements, in amount of RON 49,759.

The last revision of useful economic lives of tangible and intangible fixed assets was made at 31 March 2015.

The movements in value adjustments amount to RON (198,217).

The value of impairment provision was determined according to the book value as at 31 March 2015 and taking into consideration the usefulness of these goods for the company and also their physical condition.

On 31.03.2015, the Company has assets in progress and advances for tangible assets in amount of RON 20,346,020. The main component in this amount is represented by the construction of facilities for research and development, financed by EU funds, which is near completion on 03/31/2015.

The book value of the fully depreciated tangible fixed assets which are still in use as at 31 March 2015 is RON 38,856,614.

The split on categories of fully depreciated tangible fixed assets still in use is presented below:

- buildings	3,368,250
- technological equipment	18,431,586
- measurement, control, regulation devices and installations	9,401,264
- vehicles	6,547,808
- others	<u>1,107,706</u>
<b>Total</b>	<b>38,856,614</b>

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**NOTE 2: Provisions**

Classification of provisions		Balance at 31 March 2014	Transfers		Balance at 31 March 2015
			To account	From account	
	0	1	2	3	4
1	Provisions for retirement benefits	1,506,050	239,295	798,351	946,994
2	Provisions for taxes	8,396,140	1,574,428	-	9,970,568
3	Provisions for environment				
4	Provisions for restructuring	13,812	500	14,312	-
5	Other provisions for expenses	18,948,019	12,451,809	-	31,399,828
<b>Total</b>		<b>28,864,021</b>	<b>14,266,032</b>	<b>812,663</b>	<b>42,317,390</b>

Other provisions for expenses are provisions for the tax owed to the Health Ministry amounting to RON 31,369,828 and provision for environment amounting to RON 30,000, according to law in force.

The provision for taxes was built up according to the accounting regulations in force (O.M.F.P 3055/2009) and is calculated based on the gross distributable reserves recognized in equity and the difference between the accounting net book value and the fiscal net book value of fixed assets. The provision amounts to RON 9,970,568 as at 31 March 2015.

**NOTE 3: Profit appropriation**

Profit appropriation	01.04.2013- 31.03.2014	01.04.2014- 31.03.2015
Net profit to be distributed:	107,970,494	80,395,362
- legal reserve	-	-
- use of accounting loss	-	-
- dividends	-	-
- tax facilities	-	112,762
Profit not distributed	107,970,494	80,282,600
<b>Total</b>	<b>107,970,494</b>	<b>80,282,600</b>

At the time of the preparation of the financial statements, no decision has been taken regarding the appropriation of the net profit amounting to RON 80,282,600, being the net profit generated during 2014.

In accordance with the legal provisions, following the approval of the net profit distribution by the General Shareholders Assembly, it will be reported in the financial statements for the year 2015.

By the decision of the General Shareholders' Meeting held on 24<sup>th</sup> of February 2014 was decided the distribution of dividends amounting to RON 205,175,110 from the profit of the period 1<sup>st</sup> of January 2013 - 31<sup>st</sup> of December 2013. No dividends were distributed related to the 3 months ended as at 31<sup>st</sup> of March 2014.

**NOTE 4: Operating result analysis**

Indicator	Previous year as at 31.03.2014	Current year as at 31.03.2015
1	2	3
<b>1. Net turnover</b>	<b>493,613,926</b>	<b>530,636,629</b>
<b>2. Cost of goods sold and services rendered (3+4+5+6)</b>	<b>194,566,570</b>	<b>221,829,263</b>
3. Main activity expenses	66,898,280	65,986,671
4. Cost of goods purchased	82,875,963	85,656,094
5. Costs of sundry activities	4,707,524	4,761,973
6. Indirect production expenses	40,084,803	65,424,525
<b>7. Gross profit (1 – 2)</b>	<b>299,047,356</b>	<b>308,807,366</b>
8. Research expenses	16,057,115	17,064,902
9. Selling expenses	98,535,487	80,516,521
10. General and administration expenses	65,376,871	106,482,008
11. Other operating income	353,342	3,450,924
<b>12. Operating profit (7 – 8 – 9 – 10 + 11)</b>	<b>119,431,225</b>	<b>108,194,859</b>

The Company includes under cost of goods sold the direct and indirect manufacturing costs. Research expenses, selling and marketing expenses and general administration expenses are not included in the manufacturing cost.

In order to compute the cost of goods sold, manufacturing costs are adjusted by taking into account the movements in stock during the year.

Selling expenses also include the movement in value adjustments of trade receivables. General and administration expenses also include the movement in inventories and other provisions.

**NOTE 5: Receivables and payables**

Receivables	Balance at 31 March 2014	Balance at 31 March 2015	Maturity term	
			Under 1 year	Over 1 year
1. Trade receivables	324,179,913	252,297,563	252,297,563	-
2. Receivables from affiliated companies	25,401,017	22,424,562	22,424,562	-
3. Other receivables	6,529,684	4,660,364	4,660,364	-
4. Provisions for receivables	(38,793,384)	(34,898,041)	(34,898,041)	-
<b>TOTAL</b>	<b>317,317,230</b>	<b>244,484,448</b>	<b>244,484,448</b>	-

Trade receivables relate mainly to the sale of finished goods and of goods for resale.

The liquidity term is established considering the due date of the invoices as it is established in the contracts concluded with our partners. These terms do not overlap with the ageing intervals used in computation of value adjustments for receivables.

The Company's main customers are:

- Mediplus Exim București;
- Farmexpert DCI SA București;
- Zao „Ranbaxy” Rusia;
- Fildas București;

**S.C. TERAPIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- Farmexim SA București;
- Pharmafarm S.A. Corunca;
- Europharm Holding Brașov;
- Polisano Sibiu;
- Ropharma SA Brasov;
- Ranbaxy Ireland Limited.

Payables	Balance at 31 March 2014	Balance at 31 March 2015	Repayment term		
			Under 1 year	1 – 5 years	Over 5 years
1. Suppliers - other	41,247,932	40,251,254	40,251,254		
2. Suppliers - intercompany	238,696,739	197,867,736	197,867,736		
3. Fixed assets suppliers	1,462,778	1,326,597	1,326,597		
4. Advances received from customers	24,414	49,076	49,076		
5. Payables to employees	7,981,015	7,803,088	7,803,088		
6. Social security and unemployment fund	1,716,897	2,223,635	2,223,635		
7. Taxes and duties payable	17,869,426	18,890,657	18,890,657		
8. Dividends payable	10,408,507	7,710,552	7,710,552		
9. Other liabilities	4,277,054	295,850	295,850		
10. Amounts due to credit institutions	124,907,572	-	-		
<b>TOTAL</b>	<b>448,592,334</b>	<b>276,418,445</b>	<b>276,418,445</b>		

As at 31 March 2015, the suppliers' liabilities comprise the liabilities for the services supplied amounting to RON 9,342,782 for which the Company did not receive invoices until 31 March 2015.

**NOTE 6: Accounting principles, policies and methods**

**A. ACCOUNTING PRINCIPLES**

The elements included in the annual financial statements are evaluated in compliance with the following general accounting principles, according to the accrual basis of accounting. These principles are outlined below:

1. The going concern principle – this principle assumes that the Company will continue its normal operations, without initiating a dissolution procedure or significantly reducing its activity.
2. The consistency principle – this principle assumes that the Company applies consistently the same rules and standards regarding assessment, recording into accounting and presentation of assets, liabilities and results, ensuring the comparability over time of the accounting information presented.
3. The prudence principle – this principle that assumes that the Company in its assessment of the various accounting estimates made must follow a conservative approach and especially:
  - Only the realized profit up to the balance sheet date may be reflected in its results;
  - All known debts during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;
  - All foreseeable duties and potential losses that appeared during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;
  - All value adjustments caused by impairment must be taken into account, irrespective of whether the result for the financial year is a loss or a profit.
4. The financial year independence principle. Revenues and expenses related to the financial year are recognized, regardless of the date of collection or payment of these revenues or expenses.
5. The separate assessment principle of the assets and liabilities. According to this principle, separable assets or liabilities must be assessed separately.
6. The intangibility principle. The opening balance sheet for every financial year must correspond to the closing balance sheet of the previous financial year.
7. The non-compensation principle. Any compensation between individual assets and liabilities or between revenues and expenses is prohibited, possible compensations between receivables and payables of the entity towards the same entity may be effected, observing the relevant provisions of the laws, only after recording in the accounting records the entire value of the related revenues and expenses.



**NOTE 6: Accounting principles, policies and methods (continued)**

8. Substance over form principle. The presentation of values of balance sheet and income statement items is made by taking into account the economic substance of the transaction or the reported operation and not only their legal form.
9. The materiality principle. Any element that has a significant value must be separately presented in the financial statements. The elements in the balance sheet and in the profit and loss account that are preceded by numbers may be combined if:
  - their amount is insignificant; and
  - such a combination presents a higher level of clarity, on the condition that the combined elements are presented separately in the explanatory notes.

The financial statements were prepared and presented in accordance with the above mentioned principles.

**B. SIGNIFICANT ACCOUNTING POLICIES**

**Reference currency**

The financial statements are presented in RON.

Rounding of the amounts presented was made to plus or minus 1 RON based on two decimals.

**Basis of preparation**

These standalone financial statements of the Terapia SA were prepared in accordance with the Order of the Ministry of Public Finance no. 3055/2009, modified and completed and in accordance with the Accounting Law 82/1991 (republished) and the Order of the Ministry of Public Finance no.1878/2010 regarding the preparation of annual financial statements by entities that have decided for a financial year different than the calendar year.

According to the requirements of OMF 3055/2009 modified, these financial statements were prepared in accordance with the IV Directive of the European Commission and the applicable requirements of the Romanian laws and regulations.

The source accounting records, on which these financial statements are based, are maintained in RON using the historic cost basis, except where specifically mentioned in the accounting policies on a fair value basis.

The company opted for a financial year different than the calendar year, the financial year begins on April 1 and ends on March 31. The Company prepared these financial statements for 12 months ended at 31.03.2015, using the trial balance which is in compliance with the regulations outlined above.

These financial statements comprise of:

- Balance sheet;
- Profit and loss account;
- Statement of changes in equity;
- Cash flow statement and
- Explanatory notes.

**NOTE 6: Accounting principles, policies and methods (continued)**

**Translation of amounts denominated in foreign currency**

Transactions denominated in foreign currency made by the Company are registered in RON at the rate of exchange in force at the date of the transaction.

Exchange rate differences resulting from these transactions and from the translation of assets and liabilities denominated in foreign currency are presented in the profit and loss account. These balances are translated into RON at the rate of exchange in force at the balance sheet date, as published by the National Bank of Romania.

As of 31.03.2015, the exchange rates for conversion of balances expressed in foreign currency were 1 USD = 4.1115 RON, 1 EUR = 4.4098 RON, 1 GBP = 6.0733 RON and 1 CHF = 4.2179 RON.

**Comparative statements**

For each element of the balance sheet, profit and loss account and the related explanatory notes to the financial statements, where considered necessary, the values of the corresponding elements for the previous financial year are presented.

If the values for the prior period are not comparable with the ones of the current year, this aspect is presented and explained in the explanatory notes.

**Tangible fixed assets**

Tangible fixed assets are initially recorded at their acquisition cost, production cost, contribution value or fair value, as the case may be, depending of the way of entrance into the company.

The Group recognizes as tangible fixed assets those assets which are intended for use on a continuing basis and which have an entry value established by law.

Tangible fixed assets are presented in the balance sheet at cost less accumulated depreciation and impairment, if applicable.

Tangible fixed assets that are disposed in the year are eliminated from the balance sheet together with the corresponding accumulated depreciation.

Gains or losses resulting from the disposal of a tangible fixed asset are determined as the difference between the disposal proceeds and their unamortized value, including the disposal costs, and are presented in the profit and loss account under revenues or expenses, as applicable.

Subsequent expenses corresponding to a tangible fixed asset are generally recognized as an expense in the period in which they are incurred.

Significant improvements (modernizations) are capitalized if they extend the useful life of the asset, or significantly increase the estimated economic benefits to be derived from the use of these assets in the future.

Repairs and minor improvements are recognized in the profit and loss account as incurred.

**NOTE 6: Accounting principles, policies and methods (continued)**

Land and buildings owned by the company are presented at fair value which is equal with the market value. The accounting of land is held on two categories: land and land improvement.

Tangible assets in progress represent investments in progress carried out under the own administration or by contract. They are valued at the production costs or the acquisition cost, as the case may be.

The tangible assets in progress are included under the category of assets completed after taking over, commissioning or putting into operation thereof, as the case may be.

**Depreciation**

The depreciation of tangible fixed assets is calculated using the straight-line method, starting from the month following their commissioning, so that the cost or the value of the assets may be expensed over their entire estimated useful lives.

The useful lives established for different tangible fixed assets categories are presented in the following table:

Category	Years
Buildings	10-50
Technological equipment	3-20
Measurement, control, regulation devices and installations	3-15
Vehicles	3-15
Furniture, office equipment, other tangible fixed assets	3-10

The depreciation period and the remaining useful lives of the tangible fixed assets are reviewed periodically in order to ensure that they are consistent with the estimated flow of the economic benefit resulting from their usage.

Land is not depreciated. Land improvements depreciate on a period of 10 years from the date of the reception.

**Revaluation**

Revaluation of tangible fixed assets is carried using their fair market value, as of the balance sheet date, by qualified valuation experts.

Revaluation is carried out on a regular basis, so that the accounting value of tangible fixed assets will not differ substantially from that which would be determined using their fair value as of the balance sheet date.

At the revaluation of a tangible asset, the accumulated depreciation at the revaluation date is eliminated from the asset gross book value and the net value, assessed further to the correction by the value adjustments, is recomputed at the asset revaluated value.

**NOTE 6: Accounting principles, policies and methods (continued)**

**Intangible assets**

Intangible assets are recognized when the realization of future economic benefits by the Company is probable and the asset's cost may be accurately assessed.

Intangible assets are initially recorded at their acquisition or production cost. Following initial recognition, intangible assets are presented in the balance sheet at their original cost, less accumulated amortization and impairment, if applicable.

An intangible asset reported initially as an expense will not be recognized afterwards as a part of the cost of an intangible asset.

Subsequent expenses corresponding to an intangible fixed asset and also the writing off or the demise of the intangible assets follow the rules of tangible assets.

Intangible assets comprise:

- set up costs;
- development costs;
- concessions, patents, licenses, trademarks, similar rights and assets, except for those created inside the entity;
- goodwill;
- other intangible assets;
- pre-payments and intangible assets in progress.

The intangible assets of the Company include manufacturing patents (product dossiers) and software.

New software is capitalized at its acquisition cost, provided that the software component is not included with the cost of the respective hardware.

The intangible assets in progress are intangible assets which are not finished until the end of the period, and which are evaluated at the production cost or the acquisition cost, as the case may be.

**Intangible assets depreciation**

Intangible assets are depreciated on a linear basis on the useful life time specified for each category of intangible assets. The useful life time is established for each category of intangible assets. The period and the depreciation method are reviewed at the end of each financial year.

The software is depreciated on a linear basis on the useful life time estimated, but no more than 3 years.

The fabrication licenses are depreciated on a linear basis on a period between one and five years depending on the value of the intangible asset.

The set up costs are depreciated on a maximum period of 5 years.

**NOTE 6: Accounting principles, policies and methods (continued)**

The development costs are depreciated on the contract period or on the utilization period, as the case may be.

The concessions are depreciated on the usage period established by the contract.

When the goodwill is treated as an asset – as a result of the acquisition of other entity's shares - we have to consider the following constraints:

- a) goodwill is depreciated on a period of maximum five years;
- b) nonetheless, the entity can depreciate the goodwill in a systematic way on a period over five years, with the condition that this period should be no longer than the economic useful life of the asset and to be presented and justified in the notes.

**Financial investments**

The financial assets comprise the shares in affiliated companies, the loans granted to affiliated companies, the participating interests, the loans granted to companies with which the company in cause is connected in virtue of participating interests, other investments held as assets, other loans.

The financial assets which are recognized as assets shall be evaluated at the acquisition cost or the value assessed by the contract of acquiring thereof.

Financial assets shall be disclosed in the balance sheet at the entry value, less the cumulated adjustments for the loss in value.

**CURRENT ASSETS**

**Acknowledgment and valuation of current assets**

An asset is classified as a current asset under the following conditions:

- a) is acquired or produced for own use or for sale and is expected to be realized in a period of 12 months from the balance sheet date;
- b) is represented by receivables from the operational activity;
- c) is represented by non-restricted cash or cash equivalents.

Current assets must be valued at their acquisition cost or production cost, as the case may be, and respecting the paragraph below.

The adjustments in the value of current assets are made for the purpose of their presentation at the smallest market value or, under special circumstances, at another minimum value which can be assigned at the balance sheet date.

**Inventories**

At the entry in the company, the stocks are valued at the acquisition cost. The cost of stocks must include all costs related to the acquisition and processing, as well as other costs incurred to bring the stocks under the current shape and at the location where they are.

**NOTE 6: Accounting principles, policies and methods (continued)**

Raw materials and consumables are valued at acquisition cost.

The finished goods are registered during the month at standard cost. At the end of the month it is being calculated the effective cost of production. The differences between the standard cost and the effective cost of the finished goods are registered in differences accounts so the finished goods are registered in the trial balance and the balance sheet at the effective cost.

The selling or the consumptions of the finished goods is done at the effective cost, attaching to each article that goes out its effective cost. The differences for the articles that go out are established as the difference between the value of the products out at standard cost and the value of the products out at effective cost.

The semi-finished goods are registered during the month at standard cost. At the end of the month the effective cost of semi-finished goods is being calculated ; the procedure is similar with the one for finished goods.

The production cost of the finished goods and semi-finished goods contains:

- direct production costs (raw materials and consumables, according to the manufacturing recipes);
- labour costs and technological utilities costs;
- other indirect production costs.

Work in progress refers to the orders begun and unfinished at the end of the month. Work in progress is registered at the production cost which contains direct material costs and indirect production costs.

The merchandise represents goods that are purchased with the purpose of being sold and are registered at acquisition cost.

At the selling or the consumption, the inventories are valued in accounting using the method “weighted average cost” (WAC).

At the balance sheet date the inventories are valued at net realizable value. For this purpose, when it is the case, in accounting are reflected the adjustments for depreciation of value.

The value of inventory write-offs is calculated as follows:

	Criteria (Ageing)	allowance level
- raw material and packaging materials without movements	> 1 year	15%
	> 2 years	50%
	> 3 years	100%
- raw material and packaging materials inadequate		100%
- work in progress	> 6 months	50%
	> 1 year	100%
- finished goods and goods for resale:		
- expired		100%
- shelf life	< 6 months	100%
- shelf life	6 months – 1 year	50%

**NOTE 6: Accounting principles, policies and methods (continued)**

- shelf life	> 1 year but under 50% from the validity term	25%
- spare parts without utilization	available	100%
- other inventories inadequate and unsalable	available	100%
- other inventories inadequate and saleable	available	-
- other inventories inadequate and saleable	available	Diff between the realizable price and the price from accounting

When the company's management considers that there exists a supplementary risk related to inventories, risk which is not covered by the adjustments mentioned above, a supplementary value adjustment will be recognised.

For finished goods and goods for resale a supplementary value adjustment is recognised, if it is needed, computed as difference between the cost at recording into accounting, net off all the value adjustments mentioned above, and the net selling price.

As for purchased goods in foreign currency, that are accompanied by an invoice or a transfer document, for which the invoice will come afterwards, the exchange rate used for accounting registration is the one from the date of the reception of the goods.

The inventories are evidenced in synthetic accounts, on inventory categories. The analytic evidence is organized on a quantity-value base, on each article, on article groups and administrations.

**Short term investments**

Short term investments include the titles owned to affiliate entities and other short term investments (bond purchased for realizing profit on a short term shares), short term bank deposits.

On initial recognition, the short term investments are valued at the acquisition cost (purchasing cost, or the value established in contracts).

Foreign currency short term bank deposits are booked at creation at the exchange rate communicated by the National Bank of Romania at the date of creation.

The liquidation of the foreign currency short term bank deposits is made at the exchange rate communicated by the National Bank of Romania at the liquidation date.

Upon exit from the entity the short term investments are valued using WAC.

If necessary, at the balance sheet date can be recorded in accounting adjustments for losses in value.

**Cash and cash equivalents**

The bank accounts include: assets to be received such as checks and trade bills deposited with the banks, local and foreign currency liquidities, entity's check books, short term bank credits as well as the interests related to liquid assets and bank credits in the current accounts.

**NOTE 6: Accounting principles, policies and methods (continued)**

The accounting of cash existing in the banks/entity's cashier desk as well as of its movement resulted from the receipts and payments made in cash, are kept separately in RON and foreign currency.

The current bank accounts are developed in the analytic on each individual bank.

The operations referring to the foreign currency amounts received and payments shall be recorded in accounting books at the rate of exchange of the day in which the operations have been made, as communicated by the National Bank of Romania.

At the end of each month, the exchange rate differences resulting from the valuation of liquid assets in foreign currency and other treasury values, such as state bonds in foreign currency, letters of credit and short term deposits in foreign currency, communicated in the last banking day of each month by the National Bank of Romania, are recorded in the accounting books as financial revenues or expenses from currency exchange differences, as applicable.

**Third parties**

The accounting system of third parties ensures the records of the debts and the receivables of the entity in its relation with the suppliers, the clients, the personnel, the social security, the state budget, the affiliated companies, the shareholders/partners, various debtors and creditors.

The operations regarding purchases or deliveries of commodities and products, works performed or services supplied, as well as other operations performed are recorded in the accounting books of suppliers and customers.

The accounting of settlements with the personnel comprises salary rights, raises, additional amounts, prizes from salary fund, indemnities for holidays as well as those for temporary work incapacity and other rights in cash and/or in kind owed by the entity to the personnel in consideration for the work supplied and which is to be borne, according to regulations in force, from the salary fund.

The accounting of settlements regarding social contributions comprises liabilities for the social security contribution, health insurance contribution and unemployment contribution.

The settlements with the state budget and special funds comprise: tax on profit/income, value added tax, income tax, subsidies to be received and other similar taxes, fees and payments.

The profit/income tax payable must be recognized as a debt within the unpaid amount. If the amount paid exceeds the amount due, then the surplus must be recognized as debenture.

The Company computes profit tax for the individuals financial statements prepared in accordance with the law in force of the Parent company as well as for its subsidiary.

The value added tax owed to the state budget shall be determined as the balance between the value of the chargeable tax related to the goods delivered or services performed (input VAT) and the value of the deductible tax for purchases of goods and services (output VAT).



**NOTE 6: Accounting principles, policies and methods (continued)**

Other taxes, fees, and payments owed to the state budget or to local budgets comprise: excise tax, tax on buildings, tax on lands, payments from the net profit of utility companies, dividends tax, tax on transportation means, duties for the use of state owned lands and other taxes and fees. These taxes are separated in the analytical accounting by types of taxes, fees and other payments owed to the state budget or to local budgets.

The excise taxes and special funds included in prices or tariffs are recorded in the appropriate debts accounts without passing through income and expenses accounts.

The accounting of settlements within the group companies and with the shareholders/partners includes the operations that are reciprocally recorded in books during the same administration period both in the debtor entity's accounting and in that of the creditor entity, as well as the settlements between the shareholders/partners and the entity in respect of the share capital, the dividends owed there to, other settlements with the shareholders/partners, and also the participants' accounts in respect of the joint transactions in the case of the partnership associations.

Dividends distributed to shareholders, proposed or stated after the balance sheet date, as well as other similar distributions performed from the profit, need not be recognized as a liability upon the balance sheet date.

The entity's debts/debentures to other third parties, other than to the own personnel, clients and suppliers are recorded in books under the various debtors accounts.

Taxes payable are recorded for the period for which they are due.

During the annual inventory, for the depreciation of the receivables balances (customers, sundry debtors, related parties), the Company records adjustments.

The policy for receivables value adjustments is presented below:

- For customer in litigation will be recorded provision of 100%, at the level of outstanding balance.
- For debts older than 365 days from the invoice date will be recorded a provision of 100%.
- For domestic customers, others than those mentioned above in paragraphs 1 and 2 there will be recorded a provision based on risk analysis that the company is exposed by dividing the company litigations occurred in the last financial years to the average customer balance for the same financial years.

The percentage result applying the litigations to the average customer balance is applied to year end domestic customer balance resulting the provision corresponding the current financial year.

During the year, it will follow the same procedure keeping the percentage results from dividing the litigations to year end average customer balance applied to respective month customer balance.

- Specific provision in relation to the customer balances for which, at the balance sheet date, there are objective indications that will become insolvent or bankrupt.

**NOTE 6: Accounting principles, policies and methods (continued)**

In order to compute the provision/adjustment according to the information presented above, the promissory notes are not considered.

The receivables and payables in foreign currency, as a result of the transactions incurred by the company are recorded in accounting both in RON and in foreign currency. A foreign currency transaction has to be initially recorded at the exchange rate communicated by the National Bank of Romania from the date of the transaction.

The foreign currency exchange differences as compared to the date of the settlement of receivables and debts in foreign currencies at rates of exchange different from those initially recorded in books during the month or as compared to those at which they were disclosed in the previous month must be recognized as revenues or expenses during the period when they are derived or incurred.

When the receivables or the debts in foreign currency are settled during the same month as that when they occurred, the entire foreign exchange difference shall be recognized in that month. When the receivable or the debt in foreign currency is settled during a later month, the foreign exchange difference which occurs until the settlement shall be assessed taking into account the change of the exchange rate occurred during each of such month.

At the end of each month, the receivables and the debts in foreign currency are revalued at the exchange rate communicated by the National Bank of Romania from the last banking day of that month. The exchange rate differences encountered are recorded as exchange rate revenues or expenses, as the case may be.

The above provisions are applicable to the receivables and debts in local currency whose settlement is made according to the exchange rate of a foreign currency. In this case, the exchange rate differences encountered are recognized in accounting under other financial revenues or other financial expenses, as the case may be.

The accounting books of third parties are kept by categories, in distinct accounts and the analytical accounts for each individual or legal person, grouped by documents and due dates.

**Accounting of commitments and of other off-balance items**

The rights and liabilities, as well as certain goods that cannot be included in the entity's assets and liabilities are recorded in books under accounts off the balance sheet called order accounts and record accounts.

This category includes commitments (endorsements, bails, guarantees) granted or received in relation to third parties, tangible assets taken on hire, material values received for processing or repair in keep or custody, debtors removed from assets and further pursued, royalties, administrations, rental fees and other similar debts, discounted trade bills not due yet, as well as other securities.

**NOTE 6: Accounting principles, policies and methods (continued)**

A distinct category of off-balance items are the contingent assets and debts.

A contingent asset is a potential asset which appears as a result of events before the balance sheet date and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a potential liability as a result of past events occurred before the balance sheet date and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the entity, or
- b) a present obligation as a result of past events occurred before the balance sheet date but which is not recognized because :
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of obligation cannot be measured with sufficient reliability.

The contingent assets and liabilities are not shown in the balance sheet. Information is disclosed in the notes to the financial statements.

**Short term debts: amounts which must be paid during a period up to one year**

A debt must be classified as a short term debt, also referred to as current debt, when:

- a) it is expected to be settled during the normal operating cycle of the entity;
- b) it is chargeable within 12 months as of the balance sheet date.

**Long term debts: amounts which must be paid during a period exceeding one year**

The accounting of loans and debts similar to loans is kept under the following categories: loans from bonds and repayment premiums thereof, long and short term bank loans, amounts due to affiliated companies and to those to which participating interests are held, other similar loans and debts, as well as interest related thereof.

**Provisions**

A provision is recognized when the Group has a current (legal or constructive) obligation resulting from a past event, when it is likely that an outflow of resources carrying economic benefits may result from the settlement of these obligations, and when the value of the payment can be measured reliably.

Provisions are reviewed at the end of each year and adjusted in order to reflect an accurate estimation of the losses that might occur, estimation made taking into consideration all the information known at the moment when the financial statements are prepared.

Provisions are set for items such as:

- a) litigations, fines or penalties, damages, compensations and other uncertain debts;

**NOTE 6: Accounting principles, policies and methods (continued)**

- b) expenses in connection to the service activity during the guarantee period and other expenses regarding the guarantee granted to the clients;
- c) restructuring activities;
- d) retirement pensions and other similar liabilities;
- e) taxes;
- f) other provisions.

The Company sets provisions for litigations, retirement pensions and other similar liabilities, environment expenses and for other taxes.

The Company records the provisions for taxes in relation to amounts representing future fiscal consequences of items that currently generate taxable temporary differences between their accounting base and tax base.

**Subsidies**

Subsidies comprise subsidies related to assets and subsidies related to revenues.

The following shall be disclosed separately under subsidies:

- government subsidies;
- non-reimbursable loans like subsidies;
- other amounts received as subsidies.

A government subsidy may take the form of the transfer of a non-monetary asset, and in this case the subsidy and the asset shall be recorded in books at the fair value.

Inventory excess of tangible and intangible assets and the donations are also recorded in accounting under the subsidy accounts.

The subsidies shall be systematically recognized as revenues of the periods corresponding to related expenses which these subsidies are to off-set.

The subsidies are not recorded in books directly under the capital and reserves accounts.

**Capital and Reserves**

Equity and reserves represent the shareholders' rights over the assets of an entity after deducting all liabilities.

The subscribed and paid in share capital is separately recorded in the accounting books, based on the incorporation articles of the legal person and the justifying documents as regards the capital payments.

Share premiums (issuance, merger, contribution, conversion) are the excess of the issuance value less the par value of the shares or social parts.

The accounting of reserves is kept by reserve categories as follows: legal reserves, statutory reserves or contractual reserves and other reserves.

**NOTE 6: Accounting principles, policies and methods (continued)**

In accordance with the Romanian legislation, companies must allocate an amount equal to at least 5% of the profit before taxation to legal reserves, until the value of the legal reserves reaches 20% of the value of capital. Once the legal reserves reach this level, the Group may allocate additional funds to the legal reserves, depending on its own requirements.

Statutory or contractual reserves are formed on annual basis from the entity's net profit, according to the provisions in its incorporation articles.

Other reserves not provided for by law or by statute may be formed optionally, based on the net profit, to cover the accounting losses or for other purposes, according to the decision of the general shareholders or partners meeting, by observing the legal provisions.

**Revaluation reserves**

Pluses or minuses resulted from the revaluation of non-current assets are recognized in revaluation reserve.

The revaluation reserves decrease can be made only in the limit of the existing credit balance.

The revaluation reserve must be reduced to the extent that the amounts transferred there to be no longer necessary for the implementation of the valuation method used and the achievement of its purpose.

The revaluation reserves of non-current assets have a non-distributable character.

The revaluation surplus included in revaluation reserve is capitalized through direct transfer in reserve, as long as the surplus is achieved.

The gain is considered realized as long as it is used by the entity.

Transfer between reserves is realized on a quarterly basis and at the end of the financial year.

The value of the transferred reserve is equal with the difference between depreciation of the asset computed at the gross revaluated value and the depreciation computed at the initial cost of the asset.

**Profit and loss**

Profit and loss is established on a cumulative basis from the beginning of the financial period. The final result of the financial period is established at the end of the exercise and represents the final balance of the profit and loss account.

The distribution of the profit is registered in accounting based on destination after the approval of the financial statements.

The profit distribution is made in accordance with the general meeting of the shareholders according to the Romanian law.

The amounts representing reserves created from the profit of the current financial year are shown under the account "Profit appropriation", according to legal provisions.

**NOTE 6: Accounting principles, policies and methods (continued)**

The profit which is not distributed is transferred to retained earnings.

The accounting loss reported is covered from the profit of the financial exercise and the reported one, from reserves, and equity, in accordance with the general meeting of the shareholders, according to the Romanian law.

**Revenues**

Revenues are increases of economic benefits registered during an accounting period as inputs or increases of assets or decreases of liabilities, which materializes as a growth of shared capitals, other than the shareholders contribution.

Revenues are recognized in the profit and loss account when it is likely that the Company will derive the benefits associated with the underlying transactions, and a reliable estimate of the value of these benefits can be made.

The accounting of revenues is kept depending on the types of revenues, according to their nature, as follows:

- a) operating revenues;
- b) financial revenues;
- c) extraordinary revenues.

Operating revenue comprise:

- a) revenues from the sale of products and commodities, work performed and services supplied;
- b) revenues from stocks variation;
- c) revenues from the production of assets;
- d) revenues from operating subsidies;
- e) other revenues from the current activity.

Revenues from the sale of goods are recorded in accounting books at the moment of handing over the goods to the purchaser, of the delivery of the goods based on invoice or in other conditions as provided for in the contract, which certify the transfer of the ownership right on such goods, to the clients.

Revenues from the sale of goods are recognized at the moment when the following conditions are met:

- a) the entity has transferred the material risks and benefits deriving from the ownership of goods to the purchaser;
- b) the entity does not administrate the sold goods and does not have control over them;
- c) revenues and expenses respectively derived or incurred by the transaction may be quantified,
- d) it is probable that the economic benefits will be generated for the entity and
- e) the costs of the transaction can be valued in a credible manner.

Financial revenues comprise:

- a) revenues from financial assets;
- b) revenues from short term investments;
- c) revenues from debentures set;
- d) revenues from financial investments ceded;
- e) revenues from foreign exchange differences;

**NOTE 6: Accounting principles, policies and methods (continued)**

- f) revenues from interest;
- g) revenues from discounts received further to financial reductions;
- h) other financial revenues.

The financial discounts are given for a non-commercial scope, usually for stimulating the client to pay early or to stimulate him to use a certain payment form. It is not committed to a certain product but to a value and to a payment frequency.

The financial discounts received are registered as financial revenues for the period.

Extraordinary revenues are revenues that arise from events or transactions which are clearly different from the entity's ordinary activities and which, as a result, are not expected to repeat on a frequent or a regular basis; for example expropriations or natural disasters.

**Expenses**

Expenses are decreases of economic benefits registered during an accounting period as outputs or decreases of value of assets or increases of liabilities, which materializes as a decrease of shared capitals, other than the shareholders withdrawals.

The accounting of expenses is kept on types of expenses, according to their nature, as follows:

- a) operating expenses;
- b) financial expenses;
- c) extraordinary expenses.

Operating expenses includes:

- a) expenses for raw materials and consumables; the acquisition cost of consumed inventory objects; acquisition costs of not stocked materials, directly passed as expenses; the equivalent of the energy and water consumed; the value of animals and birds; the cost of goods sold and of packages;
- b) expenses for works and services supplied by third parties, royalties and rental; insurance premiums; studies and research; expenses for other services performed by third parties (collaborators); commissions and fees; protocol, advertising and publicity expenses; transport of goods and personnel; travels, official trips and transfers; postage expenses and telecommunication duties, banking services and others;
- c) personnel expenses (salaries, social security and other personnel expenses which are borne by the entity);
- d) other operating expenses (losses from debentures and various debtors; compensations, fines and penalties; donations and other similar expenses; expenses regarding ceded assets and other capital expenses etc.).

Financial expenses, which comprise:

- a) losses from debentures in connection to participations;
- b) expenses regarding financial expenses;

**NOTE 6: Accounting principles, policies and methods (continued)**

- c) unfavourable foreign currency differences;
- d) interest regarding the current financial year;
- e) discounts granted to clients;
- f) losses for debentures of financial nature and others.

Financial discounts granted to the customers are booked in accounting as financial expenses of the period.

Extraordinary expenses are expenses that arise from events or transactions which are clearly different from the entity's ordinary activities and which, as a result, are not expected to repeat on a frequent or a regular basis; for example expropriations or natural disasters.

**Turnover**

The profit and loss account comprises: the net turnover, incomes and expenses of the financial year grouped by their nature, as well as the result of the period (profit or loss).

For purposes of these regulations, the net turnover is computed by summing up the income resulted from deliveries of goods, performance of services and other operating income, less trade rebates granted to the clients and value added tax and other taxes related directly to the turnover.

Trade rebates are granted to customers for specific product during a specific period of time and have the purpose to increase the sales of that product for that period of time. This kind of trade rebates will generate a decreasing of trade incomes and also of the net turnover.

**Retirement, post retirement and termination benefits**

- Short-term employee benefits

Short-term employee benefits comprise salaries and contributions to social security funds. They are recognized as expenses in the period in which they are paid. Both the Company and the employees have the obligation to contribute to the National Retirement Fund. The Company has no obligation of paying other future benefits. The only obligation in this respect is the payment of the contributions to the National Retirement Fund by the due date.

- Retirement benefits

Upon retirement the employees receive a bonus equal with to a gross average salary in compliance with the provisions of the collective labour agreement. The Company did record provisions for these obligations.

- Benefits upon closing of individual labour agreements

The Company has an obligation to compensate employees in case it terminates their individual labour agreements, as a result of making the respective employees redundant. The magnitude of the related termination benefits payable depends on the position held and the number of years of employment with the Group. Termination benefits obligations are recorded when the related reorganization plan is adopted



**NOTE 6: Accounting principles, policies and methods (continued)**

by the management of the Group or when the expenses are made if there is no reorganization plan in force, according to the Collective labour Agreement.

**Leasing contracts**

The leasing contract is an agreement, through which the leaser gives to the lessee, in exchange of a payment or a serial of payments, the right to use a good for a period of time.

***Financial leasing***

The financial leasing is the leasing operation which transfers the most important part of the risks and advantages of a property right over an asset.

A leasing contract can be known as a financial leasing if it fulfils at least one of the following conditions:

- a) the leasing transfers to the lessee the property right over the good until the leasing contract is finished;
- b) the lessee has the option to buy the good at a price estimated to be small enough comparing to the market value at the date when the option becomes realizable, so that, at the beginning of the leasing contract there exists in a reasonable way the certitude that the option will be realized,
- c) the leasing contract duration covers for the most part the economic life time of the good, even if the property right is not transferred;
- d) the total value of the leasing rates, less the accessories costs, is greater or equal to the acquisition value of the good, represented by price paid by the leaser for the good, respectively the acquisition price,
- e) the goods that represent the object of the leasing contract have a special nature, so that only the leaser can utilize them without any major modifications.

The leasing payments are separated between the interest and the diminution of the leasing debt to obtain a constant interest rate that applies to the final balance of the debt. The interest expense is registered directly into the profit and loss.

The acquisition of mobile and immobile goods, in the case of financial leasing, are treated as investments, being depreciated on a consequent base with the normal depreciation policy used for similar goods.

***Operational leasing***

The operational leasing is the leasing operation that is not included in the financial leasing category.

The payments for an operational leasing contract are recognized as expenses in the profit and loss account, linear during the leasing contract.

***Leaseback***

A selling transaction of a long term asset and a rental transaction of the same asset in leasing (leaseback) are registered as follows (taking into account the leasing contract):

- a) if the transaction of selling and renting the same asset has as a result a financial leasing, the transaction represents a way through which the leaser gives to the lessee a financing, in this

**NOTE 6: Accounting principles, policies and methods (continued)**

case the asset is considered a guarantee. The financing beneficiary (leser) will not insert in accounting the selling operation of the fixed asset, because the conditions to recognize income are not met. The fixed asset will remain recorded at the value before the leasing operation, with the corresponding depreciation regime;

- b) if the sell and lease operation of the same fixed asset has as result an operational leasing, the selling party accounts a selling transaction, including the recording of the fixed asset as being taken out of accounting, along with all the amounts that have been cashed or have to be cashed.

**Related parties**

Parties are considered to be related if one of the parties has the ability to control, partially control or to exercise significant influence over the other party due to the following aspects:

- a) owns the majority of the voting rights of the shareholders or associates in other entity, named subsidiary;
- b) it is a shareholder or associate of an entity and the majority of the members of the administration, management and supervising authorities of the entity (subsidiary) which have been named in these functions during the financial year, during the previous financial year and by the time the annual consolidated financial statements were prepared were named only as a result of exercising its voting rights;
- c) it is a shareholder or associate of a subsidiary and owns by itself the control over the majority of voting rights of the shareholders or associates of that subsidiary, as a result of an agreement concluded with other shareholders or associates;
- d) it is a shareholder or associate of a subsidiary and has the right to exercise a dominant influence over that subsidiary, based on a contract concluded with the entity or on a clause in the constutive deed or statute, if the regulation applicable to the subsidiary allows such contracts or clauses;
- e) Parent Company has the power to exercise or effectively exercises a significant influence or control over a subsidiary;
- f) it is shareholder or associate of a subsidiary and has the right to appoint or revoke the majority of the members of the administration, management and supervising bodies of that subsidiary;
- g) Parent Company and the subsidiary are managed on a unified basis by the Parent Company.

The subsidiary represents an entity under the control of other entity, named Parent Company.

A transaction with related parties is a transfer of resources, services or obligations between related parties without being of importance if a price is charged.

**Interests**

Interest on capital borrowed to finance the acquisition, the construction or the production of assets with long manufacture cycle is not included in the production costs.

Interest expenses are written-off in the Profit and Loss account in the period which they refer to.

**NOTE 6: Accounting principles, policies and methods (continued)**

**Events occurring after the balance sheet date**

The events subsequent to the balance sheet date are those events, either favourable or unfavourable, which take place between the balance sheet date and the date on which the statements on the annual accounts are to be approved under the law.

The events which occur after the balance sheet date may supply additional information. If the additional information leads to the need to record certain incomes or expenses in books, then such records must be made, in order to give a true and fair view. This information shall also be disclosed in the notes on accounts.

**Correction of accounting errors**

The accounting errors may relate either to current period or to previous periods.

Previous period errors are omissions and misstatements in the financial statements.

Correction of errors is made at the date of their acknowledgement.

Correction of the errors of the current period is made in the profit and loss account.

Correction of the significant errors of the previous period is made in retained earnings.

Minor errors related to previous periods are also corrected in retained earnings. Still, they can be corrected in the profit and loss account if the errors are immaterial.

Immaterial errors are those that do not influence the information presented in the financial statements. It is considered that an error is material if it influences the economic decisions taken by the users of the financial statements. The analysis of the nature of an error is made considering the individual or cumulated value of the elements.

In case of correcting the errors which generate a carried forward accounting loss, such loss must be covered before performing any profit distribution.

The correction of errors from previous financial statements must not lead to changes in those financial statements.

In case of correcting errors from previous financial statements, these corrections must not adjust the comparative information presented in the financial statements.

**NOTE 7: Investments and sources of finance**

As of 31 March 2015, share capital amounted to RON 25,021,355, and was divided into 250,213,547 fully paid shares with a nominal value of RON 0.1. Subscribed capital is fully paid.

At the beginning of the year 2014, the capital amounted to RON 25,021,355.

The Company had no corporate bond certificates in issue as of 31 March 2015 and 31 March 2014.

**NOTE 8: Information regarding the employees, the administrators and the directors**

No advance payments or credits were granted to the administrators of the Company.

According to AGA decision payments to directors have been made in the gross amount of RON 1,752,000 and related fees were paid in the amount of RON 399,106.

Average number of employees for the period ended on:	31.03.2014	31.03.2015
Workers	250	255
Technical, economic and administrative personnel	565	607
<b>Total</b>	<b>815</b>	<b>862</b>

Number of employees on:	31.03.2014	31.03.2015
Workers	263	255
Technical, economic and administrative personnel	602	610
<b>Total</b>	<b>865</b>	<b>865</b>

Payroll expenses	31 March 2014	31 March 2015
Gross salaries during the year	55,100,542	63,439,076
Lunch ticket expenses	1,484,456	1,586,059
Social insurance contributions	11,052,693	11,616,967
Social health insurance contributions	2,766,346	3,325,575
Contributions to the unemployment fund	260,250	304,067
Contributions to the fund for labour accidents and illnesses	116,084	110,457
National health fund contributions	452,190	528,440
Preliminary salaries taxes	521,530	(441,270)
<b>TOTAL</b>	<b>71,754,091</b>	<b>80,469,371</b>

**NOTE 9: Analysis of main financial ratios**

<b>FINANCIAL RATIOS</b>	<b>VALUE</b>	<b>VALUE</b>
	<b>12 month period ended at 31.03.2014</b>	<b>12 month period ended at 31.03.2015</b>
<b>1. LIQUIDITY RATIOS</b>		
A. CURRENT LIQUIDITY RATIO – <i>index</i> - (current assets/current liabilities)	1.00	1.43
B. ACID TEST RATIO - <i>index</i> - (current assets - inventories/current debts)	0.87	1.19
<b>2. RISK RATIOS</b>		
A. GEARING RATIOS		
(long term loans/equity)*100	Shall not be calculated	Shall not be calculated
(long term loans/(equity + loan long term portion)*100	Shall not be calculated	Shall not be calculated
B. INTEREST COVERAGE RATIO (profit before interest and corporate income tax / interest expense) – RON	773.93	72.26
<b>3. ACTIVITY RATIOS</b>		
A. STOCK TURNOVER - number of rotations (cost of sales / average inventory balances)	3.78	3.21
B. STOCK DAYS – days- (average inventory balances / sales cost x 365)	96.51	113.69
C. DEBTORS' DAYS–days- (average trade debtors' balances / turnover)*365	234	189.37
D. RECEIVABLES TURNOVER - number of rotations (turnover / non-current assets)	2.76	1.31
E. TOTAL ASSETS TURNOVER - number of rotations (turnover / total assets)	0.57	0.66
<b>4. PROFITABILITY RATIOS</b>		
A. RETURN ON CAPITAL EMPLOYED % (profit before interest and corporate income tax / (equity +loan long term portion)	31.85	20.48
B. GROSS PROFIT MARGIN % (gross profit / turnover x 100)	60.58	62.72
<b>5. PROFITABILITY PER SHARE</b>		
A. EARNING PER SHARE - RON/ <i>share</i> (net distributable profit / weighted average number of ordinary shares)	0.43	0.32
Net distributable profit	107,970,494	80,395,362
Weighted average number of ordinary shares used in the calculations	250,213,547	250,213,547

**NOTE 10: Other information**

**a) General information regarding the Company:**

SC Terapia SA is a Romanian Company, part of the Sun Pharmaceutical Industries Limited since 25 March 2015, engaged in the production of pharmaceutical products, The Company's headquarters are located at 124 Fabricii Street, Cluj- Napoca, Romania.

The Company has the following branches:

- Cluj Napoca, B.dul Muncii no. 10 – business offices;
- Bucharest, Splaiul Unirii , no. 313 – manufacturing site – without operating activity;
- Pata Rat no. FN, county Cluj – residual products warehouse;
- Bucharest, B.dul Dimitrie Pompeiu no, 9 – 9A –business offices;
- Other offices in: Iasi, Brasov, Timisoara, Constanta, Craiova, Galați.

The shareholding structure as of 31 March 2015 was as follows:

Ranbaxy (Netherlands) BV	96.70%
Other shareholders - individuals	3.30%
<b>Total</b>	<b>100.00%</b>

Ranbaxy (Netherlands) BV, is a limited liability company, organized under Dutch laws, with headquarters at 55 Roskin, 1012 KK, Amsterdam, Netherlands, and is registered with the Trade Registry in Amsterdam under registration number 33254757.

Ranbaxy (Netherlands) BV is part of Sun Pharmaceutical Industries Limited since 25 March 2015.

The first consolidation is analysed at the level of Ranbaxy Netherlands BV Holland which owns the majority of the share capital of Terapia SA.

The next level of consolidation is at Sun Pharmaceutical Industries Limited (Parent Company) Mumbai which merged with Ranbaxy Laboratories Limited India on 25th March 2015.

The audit fees for 2014 amount to RON 567,380, from which RON 283,500 are due for Statutory Financial Audit.

**NOTE 10: Other information (continued)**

**Management structure as of 31 March 2015:**

At the end of the year, the Company's Management consisted of the following individuals:

<b>Position</b>	<b>Name</b>
General Manager	Damian Dragoş-Eugen
Human Resources Manager	Kaupert Erika
Economic Manager	Codreanu Sanda
Financial Manager	Arora Hemant
Operations Manager	Chiorean Adrian Alexandru
Commercial Manager	Ungureanu Bogdan Alin

**Members of the Board of Directors as of 31 March 2015:**

<b>Name</b>	<b>Position</b>
Chakravarti Ranjan	Preşedinte
Dragos Damian - Eugen	Membru
Deshmukh Subodh Shrinivas	Membru
Shroff Percy Keku	Membru
Shah Ranjesh Viren	Membru

**b) Information regarding the corporate income tax**

The corporate income tax payable by the Company for the current year amounts to RON 15,184,507. The average tax rate is 16.00%, equal to the standard rate, due to a balance between non-deductible expenses non-taxable.

The Company had an accounting profit of RON 95,402,992 for the year ended 31 March 2015 and a taxable profit of RON 99,991,622. Also, during 2013 the company submitted corrective statements related to previous years, calculating a reduction in income tax in the amount of RON 176,877.

The reconciliation between the accounting profit and the taxable profit is presented below:

**NOTE 10: Other information (continued)**

Crt. no.	Indicators	Row	12 month period ended at 31.03.2014	12 month period ended at 31.03.2015
			Value	Value
<b>1</b>	<b>Accounting profit before tax</b>	<b>01</b>	<b>123,028,276</b>	<b>95,402,992</b>
<b>2</b>	<b>Amounts related to income from reprocessing</b>	<b>02</b>		
<b>3</b>	<b>Deductions</b>	<b>03</b>	<b>14,776,673</b>	<b>49,832,338</b>
	Out of which:			
	- deductible tax depreciation and amortization		11,924,717	41,952,187
	- deductibility regarding research expenses		2,480,804	1,409,910
	-deductible provisions		371,152	6,470,241
<b>4</b>	<b>Non-taxable income</b>	<b>04</b>	<b>10,778,575</b>	<b>13,870,367</b>
	Out of which:			
	- other non-taxable income		10,778,575	13,870,367
<b>5</b>	<b>Non-deductible expenses</b>	<b>05</b>	<b>25,159,049</b>	<b>68,291,335</b>
	Out of which:			
	- fines, taxes and penalties due to the Romanian Authorities		11,735	1,854
	- protocol and sponsorship expenses in excess of the allowable level		2,382,541	1,862,720
	- non-deductible provisions		7,355,867	23,941,148
	- other non-deductible expenses, including accounting depreciation		15,408,906	42,485,613
<b>6</b>	<b>Losses in prior years</b>	<b>06</b>		
<b>7</b>	<b>Taxable profit (row 01 + row 02 – row 03-row 04 + row 05- row 06)</b>	<b>07</b>	<b>122,632,077</b>	<b>99,991,622</b>
<b>8</b>	<b>Total corporate income tax</b>	<b>08</b>	<b>19,621,132</b>	<b>15,998,659</b>
	Out of which:			
	- corporate income tax at the rate of 16 %		19,621,132	15,998,659
<b>9</b>	<b>Corporate income tax reductions calculated in accordance with applicable regulations</b>	<b>09</b>	<b>915,033</b>	<b>814,152</b>
<b>10</b>	<b>Corporate income tax due (row 08 – row 10)</b>	<b>10</b>	<b>18,706,099</b>	<b>15,184,507</b>
<b>11</b>	<b>Income tax related to previous years' rectifications</b>	<b>11</b>	<b>3,648,317</b>	<b>176,877</b>
<b>12</b>	<b>Income tax due (row 10- row 11)</b>	<b>12</b>	<b>15,057,782</b>	<b>15,007,630</b>
<b>13</b>	<b>Net accounting profit (row 01 - row 12)</b>	<b>13</b>	<b>107,970,494</b>	<b>80,395,362</b>

**c) Turnover**

	31.03.2014	31.03.2015
<b>Net turnover:</b>	<b>493,613,926</b>	<b>530,636,629</b>
Out of which, for:		
- domestic sales	394,282,347	378,509,215
- export sales	99,331,579	152,127,414



**NOTE 10: Other information (continued)**

The total net turnover was derived from sales made in the following countries:

	<b>31.03.2015</b>
Romania	378,509,215
Russia	57,817,818
India	26,103,037
Ireland	14,910,336
Ukraine	14,207,805
Great Britain	11,594,569
Other countries	27,493,849
	<b>530,636,629</b>

Net turnover comprises the amounts from sale of goods and rendering of services during the period 04.04.2014-31.03.2015.

**d) Other information**

Operational leasing – the Company leased through a concession agreement land over a 25-year period, starting from year 1998. Concession royalties payable for the reporting period amount to RON 12,866. The concession royalties paid during the year 2014 are based on the amount payable for year 2013 increased with the annual inflation rate.

As of the balance sheet date, the Company has a credit facility with Unicredit Tiriac Bank Romania amounting to EUR 1,000,000 used as security for the issuance of letters of guarantee and for financing the current expenses and a facility of 4.000,000 EUR as a guarantee for Forex contracts. This credit facility represents an off balance sheet item and, consequently, is not reflected in the balance sheet of the Company as at 31 March 2015.

Also, the Company has a loan from Ranbaxy (Netherlands) BV in amount of EUR 38,000,000.

The amount paid for consultancy services during the period 01.04.2014-31.03.2015 amounts to RON 1,694,039 and relates to the following:

- management consultancy fees, amounting to RON 1,550,410;
- other consultancy services fees, amounting to RON 143,629.

**NOTE 11: Allowances and impairment provisions against the value of current assets**

Allowances and impairment provisions were made in relation to the impairment of assets, risks and potential losses resulting from the Company's operational activities, in accordance with the prudence principle.

**Provisions for receivables, payables and inventories**

For clients and inventories, the company recorded allowances and impairment provisions according to the accounting policies presented on Note 6.

In respect of inventories, besides the provisions recorded according to the accounting policy, the Company has presented in the financial statements supplementary allowances amounting to RON 1,137,442 for goods for resale, RON 21,993 for finished goods and RON 4,010 for packaging materials. Management considers that there is an increased risk for these goods of not being sold.

**Impairment provision against the carrying value of tangible fixed assets and current assets**

Impairment provisions were recorded for tangible fixed assets based on the information received from the inventory commissions regarding the physical condition and usefulness of these assets for the Company,

The movement during the period 01.04.2014-31.03.2015 in the value of provisions is presented in the following table:

Crt. No.	Name of the value adjustments	Balance at 31 March 2014	Movements during the year		Balance at 31 March 2015
			Increase	Reversal	
0	1	2	3	4	5=2+3-4
1	Impairment provision for fixed assets	7,538,587	15,456	213,673	7,340,370
2	Allowances for inventories	5,335,529	7,924,264	7,107,899	6,151,894
3	Allowances for doubtful trade receivables' balances	38,793,384	1,735,398	5,630,741	34,898,041
4	Allowances for doubtful sundry debtors' balances	0	0	0	0
<b>TOTAL</b>		<b>51,667,500</b>	<b>9,675,118</b>	<b>12,952,313</b>	<b>48,390,305</b>

**NOTE 12: Capital investments and leasing contracts**

During the year the investments in tangible and intangible assets amounted to RON 21,730,770.

Investments performed during the reporting period of 2014 are for the main activities of the company as follows:

- technological equipments	12.00%
- quality control	3.30%
- development of products	0.50%
- information technology and office equipment	5,00%
- R&D	79.20%

The Company has no ongoing financial lease on 31.03.2015.

**NOTE 13: Related parties**

**Transactions and balances with related parties**

Transactions with related parties are carried out on an arm's length basis.

The value of the transactions that the Company entered into during 1 April 2014 – 31 March 2015 with the Ranbaxy Group companies, as well as the related balances as of 31 March 2015 are presented below:

**Transactions**

<b>Purchases of goods and services</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
Ranbaxy Laboratories India–purchases of goods and services	253,011,821	42,873,477
Ranbaxy Ireland- purchases of goods	66,725,957	35,769,732
Ranbaxy Spain- purchases of goods	-	-
Daiichi Sankyo Europe Gmbh- purchases of goods	5,563,426	5,354,561
Daiichi Sankyo Company Ltd. - purchases of goods	3,678,494	2,239,465
Daiichi Sankyo Company Ltd.- services	-	260,659
Ranbaxy Europe Ltd. – London (consultancy)	986,937	1,575,079
Ranbaxy Ireland - services	41,347	54,916
Ranbaxy Poland Sp Zoo - services	2,293,766	1,777,245
Ranbaxy Farmaceutica LTD- Brazil - services	66,551	59,436
Ranbaxy (UK) Ltd. – London	218,824	18,975
Ranbaxy Australia	578	-
Basics GmbH	-	2,403
Ranbaxy Pharmacie Generique France	-	8,730
Ranbaxy (Netherlands) BV	-	459,241
<b>Total</b>	<b>332,587,701</b>	<b>90,453,919</b>

**NOTE 13: Related parties (continued)**

<b>Sales of goods and services</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
ZAO Ranbaxy Russia- sales	25,280,273	57,817,818
Ranbaxy (UK) Ltd. – London	6,585,509	9,076,387
Ranbaxy Pharmacie Generique France	1,285,327	2,055,893
Basics GMBH	9,018,677	1,520,696
Ranbaxy Ireland	1,697,235	14,910,336
Ranbaxy Belgium	-	-
Ranbaxy Poland Sp Zoo	-	-
LLC Ranbaxy Pharmaceuticals Ukraine	17,495,284	14,207,805
Ranbaxy Italy Spa	452,240	353,981
Ranbaxy Portugal	-	-
Ranbaxy Spain	224,711	173,788
Ranbaxy Europe Ltd. – London – services	2,288,989	2,518,182
Ranbaxy Laboratories India – services	18,970,059	26,103,037
Daiichi Sankyo Europe Gmbh	1,076,020	680,745
<b>Total</b>	<b>84,374,324</b>	<b>129,418,668</b>

**Balances**

<b>Payables</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
Ranbaxy Laboratories India -suppliers	234,193,792	25,671,380
Ranbaxy Ireland - suppliers	(338,788)	1,881,679
Daiichi Sankyo Europe Gmbh	1,600,020	1,660,583
Daiichi Sankyo Company Ltd.	900,475	383,655
Ranbaxy EuropeLtd	199,085	323,131
Ranbaxy Pharmacie Generique	-	-
Ranbaxy Laboratories SL Spain	-	-
Ranbaxy (UK) Ltd. – London	86,116	6,417
Ranbaxy Poland Sp Zoo	2,056,038	211,453
Ranbaxy (Netherlands) BV	-	167,729,438
<b>Total</b>	<b>238,696,739</b>	<b>197,867,736</b>

<b>Receivables</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
ZAO Ranbaxy Russia - customers	9,602,058	4,778,735
Ranbaxy (UK) Ltd. – London	698,435	267,142
Ranbaxy Pharmacie Generique France	50,742	450,276
Ranbaxy Laboratories India	9,501,845	6,326,324
Ranbaxy Europe Ltd.	-	298,958
Ranbaxy Italy SPA	443,342	202,980
Ranbaxy Portugal	-	-
Basics GMBH	632,660	4,410
Ranbaxy Ukraine	3,535,309	5,155,157
Ranbaxy Laboratories SL Spain	-	130,831
Ranbaxy Ireland	834,155	4,519,572
Daiichi Sankyo Company Ltd.	102,472	290,178
<b>Total</b>	<b>25,401,017</b>	<b>22,424,562</b>

**S.C. TERAPIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2015**  
*(all amounts are expressed in RON, unless specified otherwise)*

Since 25 March 2015 Ranbaxy (Netherlands) BV is part of the Sun Pharmaceutical Industries Limited.

**Transactions**

<b>Purchases of goods and services</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
Sun Pharmaceutical Industries Ltd.	-	8,618,539

**Balances**

<b>Payables</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
Sun Pharmaceutical Industries Ltd.	-	3,824,522

**NOTE 14: Inventories**

<b>Stock description</b>	<b>31 March 2014</b>	<b>31 March 2015</b>
Raw materials and consumables	14,612,522	17,678,971
Work in progress	1,522,782	2,092,843
Finished products	19,754,028	22,068,911
Goods purchased for resale	26,885,910	30,050,877
Advance payment for the purchases of inventories	29,216	15,891
Provisions against the carrying value of inventories	(5,335,529)	(6,151,893)
<b>Total inventories</b>	<b>57,468,929</b>	<b>65,755,600</b>

**NOTE 15: Contingent liabilities**

The Romanian Government has agencies authorized to perform controls of the companies which develop their activity in Romania. These controls are similar in nature with the tax controls performed by the tax authorities from the majority of the countries of European Union but can be extended not only to tax aspects but also to other legal aspects and regulations in the domains in which those agencies perform. It is probable that the Company will make the object of regular controls as new laws and regulations are issued.

The Group considers that all fiscal liabilities for the reporting period were recorded and presented in the financial statements.

The Company has as at 31 March 2015 letters of guarantee amounting to RON 1,671,487 issued for the following:

- execution and administration of the residual waste warehouse located in Cluj-Napoca, Pata Rat;
- lease contract for the office premises located in Bucharest, Bld. Dimitrie Pompeiu, no. 9-9A-secondary branch;
- pre-financing guarantee contract R&D warehouse concluded with Ministry of Education.

Capital commitments as at 31.03.2015 are in amount of RON 5,658,323 out of which RON 57,800 are related to buildings, RON 1,034,151 are related to software, RON 2,689,247 are related to technological

**NOTE 15: Contingent liabilities (continued)**

equipments, RON 974,901 are related to measuring and control equipment, RON 197,340 are related to information technology and RON 704,884 are related to furniture, office equipment and access and protection systems.

The Emergency Order no. 104/2009 published in the Official Monitor no. 669/07.10.2009 for the amendment and completion of Law no. 95/2006 regarding the Health reform established that the owners of market authorizations, for drugs issued on prescription, who collect money from marketing on the Romanian market of those drugs, should pay a quarterly contribution for financing of some health expenses.

The norms and instructions of the Ministry of Health and of the National House of Health Insurance for implementing the provisions of the Emergency Ordinance no. 104/2009 represent an insufficient framework for establishing the payment obligations related to the quarterly contribution for financing of health expenses.

The provisions of Law no. 95/2006 regarding healthcare reform established by the Emergency Ordinance no. 104/2009 have been revoked by the Emergency Ordinance no. 77/2011 published in the Official Gazette no. 680/26.09.2011.

Considering the regulations mentioned above there exists the risk that subsequent obligations might be established for the Company regarding this tax (claw back) for period 01.10.2009 – 30.09.2011 and accordingly the Company has booked a provision for risks and expenses.

Since the fourth quarter of 2011, based on the Emergency Ordinance 77/201, the tax payment obligations regarding claw back were calculated by the company based on information received from the National Health Insurance House. The calculated and paid amounts by the company were RON 53,999,525 for the reported period. The company contested the information received and sued the National Health Insurance House. For the fourth quarter 2011 and first quarter of 2012, the values calculated and paid by the company were in amount of 8,502,905 for the fourth quarter 2011 and 13,572,471 for the first quarter of 2012. The company obtained the final judgment of the High Court of Cassation and Justice for cancellation of the notifications received from the National Health Insurance House. For the fourth quarter 2011, the National Health Insurance House sent back a revised notification only in terms of not including VAT in the calculation base. The company made the regularization of fee paid in accordance with the revised notification but restarted the process of contesting the other reasons that the National Health Insurance House did not consider. The company contested the calculation base transmitted by the National Health Insurance House for all quarters of the reporting period (January 2014 – March 2015). For each quarter the action is in different stages.

**NOTE 16: Cash and cash equivalents**

Description	-RON-	
	31 March 2014	31 March 2015
Petty cash and other values	3,548	1,229
Cash at bank	49,058,088	61,078,117
Bank account balances and bonds	-	-
Guarantees received from warehouse keepers	126,776	142,778
Short term financial investments	26,000,000	23,606,314
<b>Total cash and cash equivalents</b>	<b>75,188,412</b>	<b>84,828,438</b>

The Company has at 31 March 2015 restricted cash balances amounting to RON 142,778 representing guarantees received from warehouse keepers.

**NOTE 17: Risk management**

The following is a summary of the nature of activities and management policies with respect to risk management:

**i) Foreign currency risk and inflation**

The Company is exposed to currency risk through sales and purchases transactions that are denominated in currencies other than RON. The currency giving rise to this risk is primarily the Euro currency.

Important exchange restrictions and controls exist relating to converting RON into other currencies. Currently, there is no other market for conversion of RON in foreign currency outside Romania.

In respect of monetary assets and liabilities held in currencies other than RON the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and where necessary, uses forward operations. As at 31.03.2015, the company has forward contracts for sale of foreign currency with subsequent due date, amounting to RON 6,155,044.

The value of monetary current assets and current liabilities held in local and foreign currencies at 31 March 2015 can be analysed as follows:

	RON	USD	EUR	Other currencies	Total
<b>Current assets</b>					
Trade receivables	211,036,104	82,230	20,991,534	7,714,216	239,824,084
Cash and cash equivalents	64,317,608	157,331	4,970,713	15,382,786	84,828,438
<b>Total current assets</b>	<b>275,353,712</b>	<b>239,561</b>	<b>25,962,247</b>	<b>23,097,002</b>	<b>324,652,522</b>
<b>Current liabilities</b>					
Loans			167,729,438		167,729,438
Trade payables	27,384,394	21,084,820	22,822,689	424,246	71,716,149
<b>Total current liabilities</b>	<b>27,384,394</b>	<b>21,084,820</b>	<b>190,552,127</b>	<b>424,246</b>	<b>239,445,587</b>

**NOTE 17: Risk management (continued)**

**ii) Interest rate risk**

The Company has implemented a cash management policy to closely monitor the idle funds. Accordingly, most of the Company's interest bearing assets as at 31 March 2015 comprises the short-term investments in bank deposits. These assets have variable interest rates reprised at maturity at the discretion of the financial instrument issuer.

**iii) Credit risk**

In the normal course of its business, the Company is subject to credit risk principally from trade debtors. Management closely monitors its exposure to credit risk on a regular basis. Credit risk with respect to trade receivables is relatively high in the actual economic and financial conditions.

The Company has used the following methods to hedge against the trading risk: factoring, forfeiting securities, assignment of receivables, insurance of trading risk.

The main customers of the Company, as a percentage of sales are presented below:

	<b>31.03.2014</b>	<b>31.03.2015</b>
MEDIPLUS EXIM SRL BUCURESTI	12%	15%
FARMEXPERT DCI SA BUCURESTI	18%	14%
ZAO „RANBAXY” RUSSIA		11%
FILDAS TRADING SRL BUCURESTI	10%	9%
FARMEXIM SA BUCURESTI	12%	8%
PHARMAFARM S.A. CORUNCA	18%	7%
EUROPHARM HOLDING BRASOV		5%
POLISANO SRL SIBIU	5%	5%
ROPHARMA SA BRASOV		3%
<b>Total</b>	<b>76%</b>	<b>77%</b>

**iv) Market risk**

The Romanian economy is continuing its development and there are on-going changes as policies and legislation are aligned to the European Union membership requirements. Potential changes in conditions that might take place in Romania and their effect on the financial position, result of operations and cash flows of the Company have not been taken into consideration when preparing the financial statements.



**NOTE 18: Fundamental errors**

During the period 01.04.2014-31.03.2015, the Company did not record any adjustments in the accounting records related to fundamental errors discovered in prior years' financial statements.

**NOTE 19: Subsequent events**

The Company has no events to report subsequent to the completion of these financial statements.

**ADMINISTRATOR,**  
**Dragoş Eugen Damian**

**DIRECTOR ECONOMIC,**  
**Sanda Codreanu**